

Annual Report

2022





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## SEPARATE FINANCIAL STATEMENTS AT DECEMBER 31, 2022

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Corporate Boards



### Board of Directors at December 31, 2022

GIULIO BONAZZI	Chairman & Chief Executive Officer
ATTILIO ANNONI	Executive Director
GIOVANNI STEFANO LORO	Director
FRANCO ROSSI	Director
SILVANA BONAZZI	Director
SIMONA HEIDEMPERGHER	Director (*) (**)
MARGHERITA ZAMBON	Director (*) (**)
FRANCESCO PROFUMO	Director (*) (**)
ILARIA MARIA DALLA RIVA	Director (*) (**)

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

(\*\*) Lead Independent Director.

### Control and Risks Committee

SIMONA HEIDEMPERGHER	Chairperson
FRANCESCO PROFUMO	Member
ILARIA MARIA DALLA RIVA	Member

### Appointments and Remuneration Committee

FRANCESCO PROFUMO	Chairperson
MARGHERITA ZAMBON	Member
ILARIA MARIA DALLA RIVA	Member

### Supervisory Board

FABIO EGIDI	Chairperson
KARIM TONELLI	Internal member
MICHELE PANSARELLA	External member

### Board of Statutory Auditors

STEFANO POGGI LONGOSTREVI	Chairperson
BETTINA SOLIMANDO	Statutory Auditor
BEATRICE BOMPIERI	Statutory Auditor

### Independent Audit Firm

PRICEWATERHOUSECOOPERS S.p.A. – Trento (Italy), Via della Costituzione 33



Directors' Report on the Separate  
and Consolidated Financial Statements  
of Aquafil S.p.A. 2022



# Dear Shareholders,

the separate financial statements, which we submit for your review and approval, present in 2022 “Total revenues” of Euro 694.3 million and a net profit of Euro 15.9 million, after current and deferred taxes for a net total of Euro 3.6 million.

The Board of Directors of the parent company Aquafil S.p.A., in accordance with the accounting rules, prepared also the Aquafil Group financial statements for 2022, which present “Total revenues” of Euro 684.1 million and a Group net profit of Euro 29.1 million.

Both financial statements were prepared in accordance with international accounting standards issued by the International Accounting Standards Board (IASB), endorsed by the European Union as required by Regulation No. 1606/2002 issued by the European Parliament and European Council and adopted with Legislative Decree No. 38/2005.

## 1. INTRODUCTION

The Parent Company Aquafil S.p.A. availed of the option contained in Legislative Decree 32/2007 which permits companies which must prepare consolidated financial statements to present a single Directors’ Report for the separate and consolidated financial statements and therefore greater attention was focused in the Report, where appropriate, on the most significant matters concerning the companies included in the consolidation scope.

In accordance with Directive 2014/95/EU and as required by Italian Legislative Decree No. 254/2016, the consolidated non-financial report (NFR) is published separately from this Directors’ Report.

## 2. CORPORATE INFORMATION OF THE PARENT COMPANY AQUAFIL S.P.A.

Registered Office: Via Linfano, 9 - Arco (TN) - 38062 - Italy

Telephone: +39 0464 581111 - Fax: +39 0464 532267

Certified e-mail: pec.aquafil@aquafil.legalmail.it

E-mail: info@aquafil.com

Website: www.aquafil.com

Share capital (at the approval date of the financial statements at 31.12.2022):

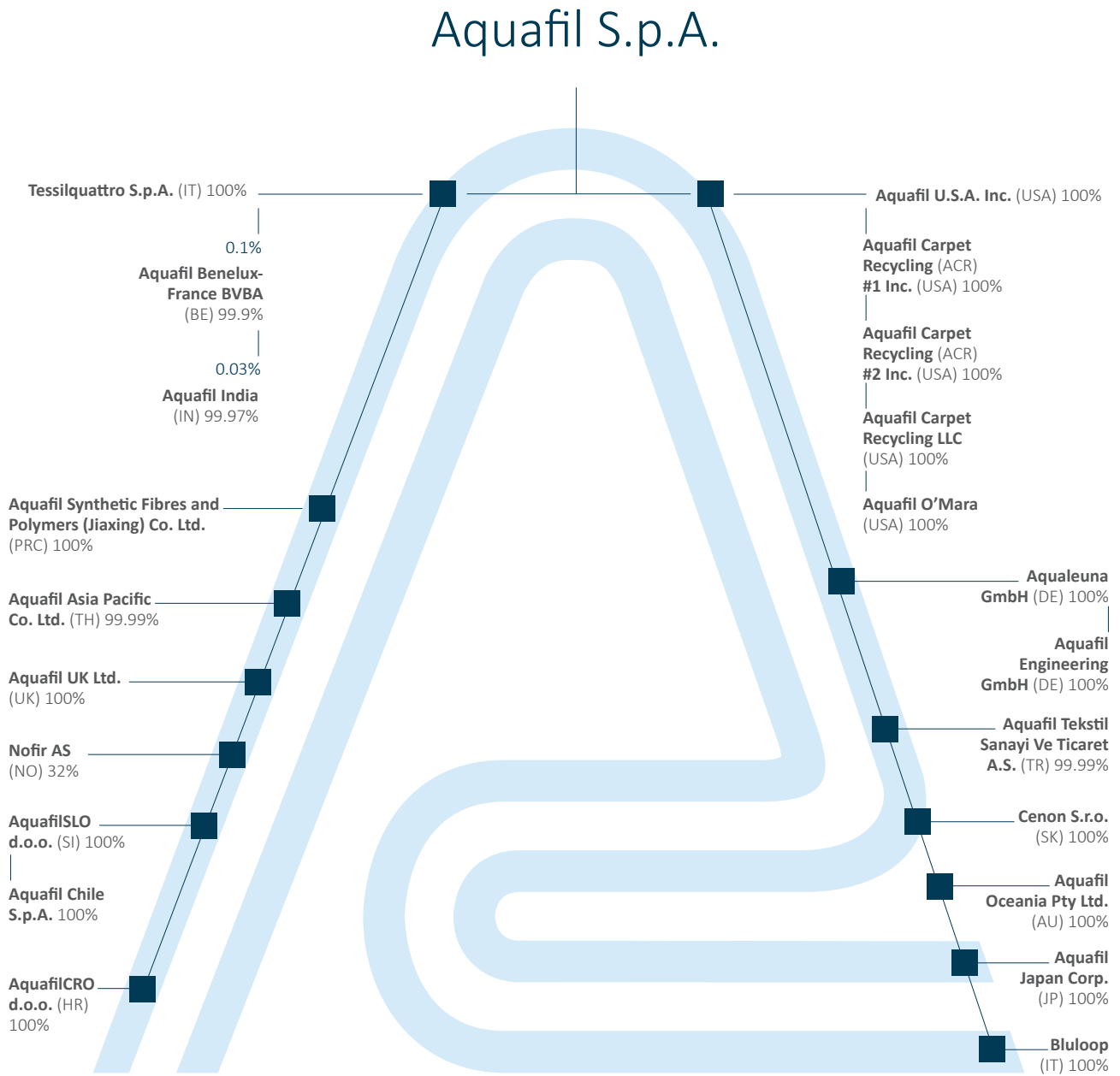
- Approved: 50,522,417.18
- Subscribed: 49,722,417.28
- Paid-in: 49,722,417.28

Tax and VAT number: IT 09652170961

Trento Economic & Administrative Registration No. 228169

There are no changes relating to the name of the entity preparing the financial statements or other means of identification with respect to the end of the previous year.

### 3. CONSOLIDATION SCOPE



The Group is composed of 21 companies, consolidated on a line-by-line basis as a result of direct or indirect control by Aquafil S.p.A., in addition to the associated company Nofir AS measured at equity.

Production is carried out at 21 plants located in Europe, the United States, South America, Asia and Oceania.



## 4. GENERAL AND ECONOMIC OVERVIEW

### Climate change

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

The Group's organisational structure for many years has considered the environmental impact of its processes and products and continuously assesses possible improvement actions, with an approach firmly focused on sustainability and circularity.

This structure particularly considers the consequences for its activities, processes and local organisations from climate change, whose risk is consistently monitored and assessed. It may be stated that no significant impacts are currently expected on the operating activities carried out in the various regions in which the Group operates.

### Covid-19 pandemic

In relation to the COVID-19 pandemic, the Aquafil Group continues to constantly monitor developments, also in terms of the circulation of the range of variants, at all operational locations globally, confirming the key objective of protecting the health of its employees and collaborators.

Thanks to this focus adopted since the beginning of the pandemic, in compliance with the health safety measures, the Group has effectively tackled and limited to a few exceptions infections among employees in the workplace and without significant health impacts.

The very restrictive measures adopted by the Chinese authorities in 2022 and the sudden normalisations introduced before the 2023 Chinese new year had no significant impact on the functioning of the production units and the various departments of the company Aquafil Synthetic and Polymers (Jiaying).

The Group has constantly monitored the real and potential impact of the Covid-19 emergency on the Group's various business activities, financial position, credit risk, liquidity risk and overall operating performance and it may be stated that the health crisis did not substantially impact the annual results, nor did it give rise to significant criticalities.

### Conflict in Ukraine

With regards to commercial relations with parties located in the countries involved in the conflict, the Group does not have a dependence on particular products and/or suppliers/clients in these areas which may impact upon operations. No direct consequences were therefore felt from the stoppage of import/exports of the products and businesses subject to limitations.

In particular, it should be noted that the Group had only limited business relations with a Russian supply of caprolactam flakes, a supplier that was permanently discontinued in October 2022.

The conflict between Russia and Ukraine that began on February 24, 2022 has brought severe repercussions to Europe in terms of economic instability, resulting in significant inflation for the broad range of products, caused particularly by the sudden unavailability of imports from Russia and Belarus of the products subject to sanctions and the high price levels of energy components. The price of TTF natural gas listed on the Amsterdam Stock Exchange on August 26 peaked at Euro 343 per megawatt hour — the oil equivalent of nearly USD 580 per barrel. Gas prices then fell steadily through December and continued the decline in early 2023 to below Euro 50 per megawatt hour. Naval and land transport costs have also been severely impacted by the war crisis and have been further affected by the anti-Covid restrictive measures imposed by Chinese authorities, which have seriously impacted upon carrier availability and the mobility of goods between regions globally. Europe suffered the greatest economic consequences, with slowdown in consumption in most sectors. The Euro-Dollar exchange rate reached a low of 0.95 in the autumn of 2022, then returned above parity and closed the year at 1.06. Inflation also reached very high levels in the U.S., driven by rising import and energy prices.

Against this backdrop, the Aquafil Group in the year reacted promptly by, on the one hand, seeking regional diversification where possible of raw material procurement sources and, on the other hand, by recovering the incremental purchase and service cost components on the products sold within the three product lines. Thanks to a strong competitive positioning and the overall resilience of the fiber markets, it is therefore possible to recover the margin absorbed by the increased costs through relying on the continuity and close collaboration of the entire logistics and production chain and of the markets of the various regions served by the Group.

## 5. SIGNIFICANT EVENTS IN 2022

The Group's key events in the year included:

1. Aquafil Chile S.p.A.: the newly-incorporated company Aquafil Chile S.p.A., based in Santiago, Chile, a wholly-owned subsidiary of Aquafil SLO doo, was acquired with the corporate scope of mainly purchasing fishing nets and other plastic material waste, managing their storage, processing, transport and sale to third parties, as a raw material for reuse in subsequent ECONYL® recycling and regeneration processes.
2. Bluloop S.r.l. benefit company: on June 22, Bluloop S.r.l. was incorporated as a benefit company, a wholly-owned subsidiary of Aquafil S.p.A., whose main corporate scope is to sell products made with ECONYL® polyamide to end consumers on the e-commerce channels. The company also has communication, training and intervention objectives on environmental and social sustainability issues in the areas in which the Aquafil Group operates.
3. Dividend distribution: on April 28, 2022, the Shareholders' Meeting of Aquafil S.p.A. approved the distribution of dividends totalling Euro 6 million, which were paid out on May 11, 2022.
4. Purchase of treasury shares: as part of the share buy-back plan approved by the Shareholders' Meeting of October 20, 2021, the number of shares purchased and held by the company at December 31, 2022 totalled 1,181,685, equal to 2.3071% of the share capital, for a total value of Euro 8 million. Please also refer in this regard to paragraph 14.2 of this Directors' Report.
5. Business Alliance Agreement with Itochu: on March 15, 2022, the signing was announced of a Business Alliance Agreement, on a non-exclusive basis, with Japan-based ITOCHU Corporation to promote and expand the circular nylon business.
6. Settlement of registration tax: the relevant Tax Agency Department in May and June fully repaid to Aquafil S.p.A. the amount of Euro 0.84 million which was previously disputed.
7. Assessment of 2015-2016 taxes: the company settled the assessment notices for the 2015 and 2016 fiscal years, with the payment of taxes, sanctions and interest, respectively for Euro 0.42 million and Euro 0.29.
8. Joint Audit – Aquafil S.p.A./Aqualeuna GmbH: following the settlement of the tax dispute for the 2016 and 2017 fiscal years, the company Aqualeuna GmbH was challenged by the “Bundeszentralamt für Steuern” in terms of the deductibility of the restructuring and closure expenses incurred in 2018 and 2019 totalling Euro 6.4 million. The subsidiary, while formally contesting this charge, has prudently written off deferred tax assets of Euro 1.2 million calculated on the remaining tax losses. It is considered that, consistent with previous years, Aquafil SpA may obtain the authorisation to offset these costs within Italy (as per Article 31-*quater* Presidential Decree No. 600/73).
9. Listing of Aquafil S.p.A.'s ordinary shares on the OTCQX Best Market: on October 13, 2022, Aquafil S.p.A. announced the listing of its ordinary shares on the OTCQX Best Market, a US trading platform managed by OTC Markets Group, with the “ECNLF” ticker. The transaction involves the cross-trading of its ordinary shares in the United States and in Italy. The company's ordinary shares continue to be traded on the Euronext STAR Milan under the “ECNL” ticker. The OTCQX platform supports the transparent trading in US Dollars of Aquafil S.p.A.'s ordinary shares during the United States' trading hours, allowing easier access for investors who prefer to trade securities in local currencies on their domestic markets. The cross-trading on the OTCQX seeks to expand Aquafil's investor base and to further support liquidity on the Euronext STAR Milan. The transaction does not constitute a share capital increase. New ordinary shares were not issued and Aquafil S.p.A. shall continue to trade on the Euronext STAR Milan under the “ECNL” ticker.
10. Signing of a non-binding Term Sheet for the possible undertaking of a stake in the Indian company Gujarat Polyfilms Private Limited: on August 24, 2022, Aquafil S.p.A. signed a non-binding term sheet covering the possible acquisition of a majority stake in the Indian company Gujarat Polyfilms Private Limited, which produces nylon 6 polymer and textile fibers at its Surat site in Gujarat, India. For the last year ended March 31, 2022, the company reported revenues of Euro 55 million, with a margin in line with the sector. The Indian market currently presents the world's highest rates of internal growth and the potential acquisition seeks both to provide polymerization capacity on the Asian market and to continue the globalisation of textile fibers. In addition, the geographical positioning and competitiveness of local cost factors may allow the evaluation of a further possible expansion of the Group's activities in the Asian region. Due diligence activities aimed at obtaining a complete understanding and assessment of the com-



pany's industrial and commercial activities have been largely completed to allow for a full evaluation and it is believed that in the coming months the process of negotiating and drafting the contractual documents necessary to put the transaction into place can begin.

11. *Lapse of the possibility to exercise the Market Warrant option and conversion of class C shares into ordinary shares:* on December 4, 2022, the deadline for exercising the financial instruments known as Aquafil Warrants expired, as 60 months had elapsed since the date of listing of Aquafil ordinary shares (ISIN IT0005241192). Following the fulfilment of that indicated at Article 5 of the By-Laws of Aquafil S.p.A., 100% of the class C shares (i.e. 80,000 class C shares), were automatically converted into ordinary shares, according to the conversion ratio of 1 ordinary share for each class C share, without the expression of interest from their respective holders and without any change in the total amount of the company share capital. As a result of this share conversion, the Group's share capital remains at Euro 49,722,417.28 while the number of ordinary shares increases from 42,822,774 to 42,902,774, while the class B shares remained unchanged (8,316,020 shares) and consequently the total number of shares remains unchanged (51,218,794 shares). Therefore, the processes of updating and filing the new By-Laws at the company's registration office began, in order to reflect the new share capital composition.

## 6. AQUAFIL ON THE STOCK MARKET

At December 30, 2022, the Aquafil *share price* (ISIN IT0005241192) was Euro 6.14, decreasing approx. 19% on December 30, 2021 (Euro 7.66), against a decline in the FTSE MIB index during the year of 15%.

The Aquafil share generally declined in the period, between a minimum of Euro 4.885 (on October 12, 2022) and a maximum of Euro 8.01 (on January 5, 2022).

The *average traded volume* for the year was 36,881 shares, with a maximum daily volume (traded on May 18, 2021) of 291,997 shares and a minimum daily volume (traded on September 9, 2022) of 1,947 shares.

## 7. AQUAFIL GROUP AND PARENT COMPANY FINANCIAL HIGHLIGHTS

### 7.1 Definition of alternative performance indicators

#### Gross operating profit (EBITDA)

This is an alternative performance indicator not defined under IFRS but used by company management to monitor and assess the operating performance as not impacted by the effects of differing criteria in determining taxable income, the amount and types of capital employed, in addition to the amortisation and depreciation policies. This indicator is defined by the Aquafil Group as the net result for the year adjusted by the following components:

- *income taxes,*
- *investment income and charges,*
- *amortisation, depreciation and write-downs of tangible and intangible assets,*
- *provisions and write-downs,*
- *financial income and charges,*
- *non-recurring items.*

#### Adjusted EBIT

Calculated as EBITDA, to which the accounts "amortisation, depreciation and write-downs" and "provisions and write-downs" are added. Adjusted EBIT differs from EBIT in terms of the non-recurring components and other charges, as specified in the notes to the "Parent Company Key Financial Highlights" table.

## Net Financial Position

On April 29, 2021, Consob issued “Call to attention No. 5/21” in which it highlighted that the new “ESMA Guidelines” of March 4, 2021 replaced on May 5, 2021 those of preceding Consob communications. In particular, guideline No. 39 requires that financial statement disclosure includes the following definition of net financial debt:

- A. Liquidity
- B. Other liquidity
- C. Other current financial assets
- D. Liquidity (A + B + C)**
- E. Current financial debt (including debt instruments but excluding the current portion of non-current financial debt)
- F. Current portion of non-current financial debt
- G. Current financial debt (E + F)**
- H. Net current financial debt (G – D)**
- I. Non-current financial debt (excluding current portion and debt instruments)
- J. Debt instruments
- K. Trade payables and other non-current payables
- L. Non-current financial debt (I + J + K)**
- M. Total financial debt (H + L)**

Application of the new definition of debt according to the above format has not resulted in any change to the Group’s Net Financial Position for the period under review or for the preceding comparative periods.

## 7.2 Key Group Financial Highlights

(in Euro thousands)	At December 31, 2022	At December 31, 2021
Net Profit for the year	29,151	10,670
Income taxes	7,717	3,934
Investment income and charges	(23)	
Amortisation, depreciation and write-downs	47,851	44,964
Provisions and write-downs	180	129
Financial items (*)	4,484	9,890
Non-recurring items (**)	2,901	2,489
<b>EBITDA</b>	<b>92,261</b>	<b>72,075</b>
<b>Revenues</b>	<b>684,074</b>	<b>569,701</b>
<b>EBITDA margin</b>	<b>13.5%</b>	<b>12.7%</b>

(in Euro thousands)	At December 31, 2022	At December 31, 2021
<b>EBITDA</b>	<b>92,261</b>	<b>72,075</b>
Amortisation, depreciation and write-downs	(47,851)	(44,964)
Provisions and write-downs	(180)	(129)
<b>Adjusted EBIT</b>	<b>44,229</b>	<b>26,983</b>
<b>Revenues</b>	<b>684,074</b>	<b>569,701</b>
<b>Adjusted EBIT margin</b>	<b>6.5%</b>	<b>4.7%</b>

(\*) Comprises: (i) financial income for Euro 4.9 million, (ii) interest expense on loans and other bank charges for Euro 8.4 million, (iii) customer cash discounts for Euro 3.8 million and (iv) exchange gains for Euro 2.8 million.

(\*\*) Comprises: (i) non-recurring charges related to the expansion of the Aquafil Group for Euro 0.4 million; (ii) non-recurring costs and revenue for ECONYL® development for a net cost of Euro - 0.9 million; (iii) restructuring charges of Euro 1.1 million; (iv) costs for fiscal disputes of Euro 0.1 million; (v) other non-recurring costs of Euro 0.5 million and (vi) non-recurring revenue of Euro 0.1 million. Reference should be made to paragraph 8.14 of the notes to the consolidated financial statements.

For an analysis of the highlights indicated above, reference should be made to the paragraph “Group operating performance” below.

## 7.3 Key Group balance sheet and financial indicators

(in Euro thousands)	At December 31, 2022	At December 31, 2021
Consolidated Shareholders' Equity	175,402	152,102
Net Financial Position	247,885	179,318
<b>NFP/EBITDA</b>	<b>2.687%</b>	<b>2.488%</b>



The comments on the movements in the Net Financial Position are reported in the “Group balance sheet and financial position” paragraph.

## 7.4 Parent Company Aquafil S.p.A. Key Financial Highlights

(in Euro thousands)	At December 31, 2022	At December 31, 2021
Net Profit for the year	15,930	11,153
Income taxes	3,625	1,495
Investment income and charges	(183)	(6,794)
Amortisation, depreciation and write-downs	10,711	10,798
Provisions and write-downs	360	147
Financial items (*)	6,975	11,139
Non-recurring items (**)	922	1,005
<b>EBITDA</b>	<b>38,340</b>	<b>28,942</b>
<b>Revenues</b>	<b>694,343</b>	<b>569,835</b>
<b>EBITDA margin</b>	<b>5.5%</b>	<b>5.1%</b>

(in Euro thousands)	At December 31, 2022	At December 31, 2021
<b>EBITDA</b>	<b>38,340</b>	<b>28,942</b>
Amortisation, depreciation and write-downs	(10,711)	(10,798)
Provisions and write-downs	(360)	(147)
<b>Adjusted EBIT</b>	<b>27,269</b>	<b>17,998</b>
<b>Revenues</b>	<b>694,343</b>	<b>569,835</b>
<b>Adjusted EBIT margin</b>	<b>3.9%</b>	<b>3.2%</b>

(\*) Comprises: (i) financial income for Euro 5.2 million, (ii) interest expense on loans and other bank charges for Euro 9.3 million, (iii) customer cash discounts for Euro 3.4 million and (iv) exchange gains for Euro 0.5 million.

(\*\*) Comprises: (i) non-recurring charges related to the expansion of the Aquafil Group for Euro 0.4 million, (ii) consultancy costs for tax disputes for Euro 0.1 million and (iii) company restructuring charges of Euro 0.1 million and other non-recurring charges of Euro 0.3 million. For further details, see paragraph 9 of the Notes to the Separate Financial Statements.

The income statement figures of the Parent Company report revenues and acquisition costs which differ from the consolidated financial statements as including inter-company purchase and sales activities undertaken by Aquafil S.p.A. with the investees, which however in the consolidation process are eliminated. Therefore, the margins on revenues are not representative of the company’s actual profitability. Operating income and the net result also do not incorporate the positive income statement results of the subsidiaries, in view of the investments’ valuation method adopted. For all other detailed information, see the section “Group operating performance” below and the Notes to the separate financial statements of the Parent Company.

## 7.5 Key balance sheet and financial indicators of the Parent Company Aquafil S.p.A.

(in Euro thousands)	At December 31, 2022	At December 31, 2021
Shareholders’ Equity	120,679	116,091
Net Financial Position	298,938	235,264

The net financial position of the Parent Company Aquafil S.p.A. does not reflect the real debt of the company as not taking account of liquidity available in the bank accounts of the subsidiaries at year-end (Euro 58 million). Funding from the financial system in fact was undertaken largely by the parent company, which plays a financial support role for all of the subsidiaries. The only funding line undertaken by subsidiaries is the loan taken out in July 2020 by Tessilquattro S.p.A. for a total of Euro 5 million.

For all other detailed information, reference should be made to the separate financial statements of the company.

## 8. GROUP OPERATING PERFORMANCE

The 2022 Income Statement compared with the previous year is reported below:

Consolidated income statement (in Euro thousands)	Note	At December 31, 2022	of which non-recurring	At December 31, 2021	of which non-recurring
Revenues	8.1	684,074	1,160	569,701	784
<i>of which related parties</i>		435		52	
Other revenues and income	8.2	13,031	218	4,612	751
<i>of which related parties</i>		0		0	
<b>Total revenues and other revenues and income</b>		<b>697,105</b>	<b>1,378</b>	<b>574,313</b>	<b>1,535</b>
Cost of raw materials and changes to inventories	8.3	(317,815)	(480)	(283,622)	(150)
<i>of which related parties</i>		0		0	
Service costs and rents, leases and similar costs	8.4	(168,472)	(1,581)	(112,567)	(1,820)
<i>of which related parties</i>		(465)		(414)	
Labour costs	8.5	(126,875)	(1,565)	(114,228)	(1,700)
Other costs and operating charges	8.6	(4,038)	(653)	(3,420)	(354)
<i>of which related parties</i>		(70)		(70)	
Amortisation, depreciation & write-downs	8.7	(47,851)		(44,964)	
Provisions and write-downs	8.8	(222)		(254)	
(Write-down)/recovery of financial assets (receivables)	8.8	42		125	
Increase in internal work capitalised	8.9	5,687		6,099	
<b>Operating Profit</b>		<b>37,561</b>	<b>(2,901)</b>	<b>21,482</b>	<b>(2,489)</b>
Investment income/charges		23		0	
<i>of which related parties</i>		183		0	
Financial income	8.10	4,869		915	
Financial charges	8.11	(8,368)		(7,550)	
<i>of which related parties</i>		(140)		(159)	
Exchange gains/losses	8.12	2,783		(243)	
<b>Profit before taxes</b>		<b>36,868</b>	<b>(2,901)</b>	<b>14,604</b>	<b>(2,489)</b>
Income taxes	8.13	(7,717)		(3,934)	
<b>Profit for the year</b>		<b>29,151</b>	<b>(2,901)</b>	<b>10,670</b>	<b>(2,489)</b>
Minority interest net profit		0		0	
<b>Group Net Profit</b>		<b>29,151</b>	<b>(2,901)</b>	<b>10,670</b>	<b>(2,489)</b>
<i>Basic earnings per share</i>	8.15	0.57		0.21	
<i>Diluted earnings per share</i>	8.15	0.57		0.21	

### Revenues

2022 Consolidated revenues increased on the previous year by Euro 114.4 million (20.1%), from Euro 569.7 million to Euro 684.1 million.

This increase is mainly attributable to the increase in average sales prices, having been adjusted to match the increase in the value of raw materials.

### Other revenue and income

Other revenues and income increased Euro 8.4 million, compared to Euro 4.6 million in 2021. The increase on the previous year is mainly due to the receivables for government grants received by Aquafil S.p.A. for Euro 6.7 million and by Tessilquattro S.p.A. for Euro 1.1 million, principally due to the tax credits for electricity intensive and natural gas intensive companies meeting the regulations requirements.

### Raw material costs

Raw materials, ancillaries and consumables amount to Euro 317.8 million, increasing 12.2% on the previous year (Euro 34.2 million). This increase is due both to quantities and the higher price of raw materials.

### Service costs and rent, lease and similar costs

Service costs and rent, lease and similar costs amounted to Euro 168.5 million, increasing Euro 55.9 million on 2021 (Euro 112.6 million). Not considering "non-recurring costs", service costs represented 24.6% of revenues, compared to 19.5% in the previous year. The increase is mainly due to higher unit prices, increased energy costs, in addition to higher transportation costs.

### Labour costs

Labour costs totalled Euro 126.9 million, increasing Euro 12.6 million on 2021 (Euro 114.2 million). The overall labour costs account for 18.5% of revenues, compared to 20.0% in 2021. Labour costs, net of non-recurring components, amounting to Euro 1.6 million (slightly decreasing on the previous year's figure of Euro 1.7 million), amounted to Euro 125.3 million. Labour costs net of non-recurring components account for 18.3% of revenues, compared to 19.8% in 2021. The average workforce for the Group decreased by 48 employees, from an average of 2,748 in 2021 to 2,796 for 2022.

The increase in labour cost is mainly due to the increase in average cost due to salary increases.

### Other costs and operating charges

Other costs and operating charges amounted to Euro 4 million, compared to Euro 3.4 million in 2021, increasing therefore by Euro 0.6 million (+18.0%). Excluding the effects of non-recurring costs, the increase would have amounted to Euro 0.3 million, accounting for 0.5% of revenues (in line with 2021).

### Increases for internal work

Increases for internal work amounted to Euro 5.7 million, substantially in line with 2021 (Euro 6.1 million).

### EBITDA

EBITDA was Euro 92.3 million, increasing Euro 20.2 million (28%) on 2021 (Euro 72.1 million).

The EBITDA Margin in 2022 was 13.5%, compared to 12.7% in 2021.

### Amortisation, depreciation and write-downs

Amortisation, depreciation and write-downs of Euro 47.9 million increased by Euro 2.9 million on 2021 (Euro 45 million). This figure, substantially in line with the preceding period, relates to the straight-line amortisation and depreciation of fixed assets.

### Provisions and write-downs

"Provisions and write-downs" totalled Euro 0.2 million, substantially in line with 2021 (Euro 0.3 million).

### EBIT

The 2022 EBIT was Euro 37.6 million, compared to Euro 21.5 million in 2021 (up Euro 16.1 million). This increase is mainly due to the higher EBITDA.

### Financial Management Result

Net financial charges of Euro 0.7 million were reported in 2022, compared to net charges of Euro 6.9 million in 2021. The improvement is mainly due to the fair value measurement of IRS derivatives due to the movement in the interest rate curve, in addition to the benefit from exchange rate movements for Euro 3 million.

### Income taxes

Income taxes totalled Euro 7.7 million, increasing on Euro 3.9 million on 2021, due to the increase in the "profit before taxes" of Euro 22.2 million, from Euro 14.6 million to Euro 36.9 million in 2022.

### Consolidated Result

The Group net profit was Euro 29.2 million, compared to Euro 10.7 million in 2021.



## 9. DISCLOSURE BY OPERATING SEGMENT

IFRS 8 defines an “Operating segment” as a component (i) involving business activities generating revenues and costs, (ii) whose operating results are reviewed periodically at the highest decision-making level and (iii) for which separate financial data is available.

The operating segments of the company are identified on the basis of the information analysed by the Board of Directors, which constitutes the highest decision-making level for strategic decisions, the allocation of resources and the analysis of results.

For IFRS 8 purposes, the Group activities are identifiable as a single operating segment whose results are reviewed periodically by the Board of Directors.

In fact, the Group structure identifies a strategic and singular vision of the business and this representation is consistent with the manner in which management takes its decisions, allocates resources and defines the communication strategy. Dividing the business into separate divisions is therefore currently viewed as detrimental to its economic interests. Therefore, the information required by IFRS 8 corresponds to that presented in the consolidated income statement.

The breakdown of consolidated revenues by region and by product line is therefore reported below.

### 9.1 Breakdown of revenues by region and product line

The breakdown of revenues by region and product line is presented in the following table (Euro millions) and also in percentage terms, alongside an analysis of the movements against the previous year:

	BCF (fibre for carpet)				NTF (fibre for fabrics)				Polymers				Total			
	YTD 2022	YTD 2021	Change	Change %	YTD 2022	YTD 2021	Change	Change %	YTD 2022	YTD 2021	Change	Change %	YTD 2022	YTD 2021	Change	Change %
EMEA	217.9	186.3	31.6	16.9 %	103.3	90.2	13.1	14.5 %	51.8	68.8	(17.1)	(24.8) %	372.9	345.4	27.5	8.0 %
North America	166.1	91.6	74.5	81.3 %	31.9	28.9	3.0	10.5 %	4.0	7.7	(3.7)	(47.8) %	202.1	128.3	73.8	57.6 %
Asia and Oceania	100.3	87.4	12.9	14.7 %	4.1	5.1	(1.0)	(19.6) %	1.4	0.8	0.6	77.7 %	105.8	93.3	12.5	13.4 %
RoW	0.8	0.2	0.5	N.A.	2.5	2.2	0.3	16.0 %	0.0	0.4	(0.4)	(99.9) %	3.3	2.8	0.5	17.9 %
<b>Total</b>	<b>485.0</b>	<b>365.5</b>	<b>119.5</b>	<b>32.7 %</b>	<b>141.8</b>	<b>126.4</b>	<b>15.4</b>	<b>12.2 %</b>	<b>57.2</b>	<b>77.8</b>	<b>(20.6)</b>	<b>(26.4) %</b>	<b>684.1</b>	<b>569.7</b>	<b>114.4</b>	<b>20.1 %</b>

The comparison indicates the following:

- EMEA** revenues increased 8% (Euro 27.5 million) in 2022 against the previous year, where:
  - the BCF product line continued its recovery, particularly in the residential and automotive segments;
  - the NTF product line has continued growing on the strength of sales of ECONYL® fibre and agreements with global fashion brands;
  - the Polymers product line confirmed the exceptional performance it had enjoyed throughout the year;
- North American** revenues increased 57.6% (Euro 73.8 million), where:
  - the BCF product line posted growth in the automotive and contract segments;
  - the NTF product line confirmed the growth seen throughout the year;
- Asia Oceania** revenues were up 13.4% (Euro 12.5 million), attributable to the residential segment.

## 10. GROUP BALANCE SHEET AND FINANCIAL SITUATION

The following table reclassifies the consolidated equity and financial position of the Group at December 31, 2022, and December 31, 2021.

Group balance sheet and financial situation (in Euro thousands)	At December 31, 2022	At December 31, 2021	Change
Trade receivables	28,553	31,233	(2,680)
Inventories	260,808	177,243	83,565
Trade payables	(126,840)	(126,566)	(274)
Tax receivables	580	423	158
Other current assets	15,861	12,853	3,008
Other current liabilities	(25,163)	(25,608)	445
Non-current assets held for sale	0	0	0
<b>Net working capital</b>	<b>153,800</b>	<b>69,578</b>	<b>84,222</b>
Property, plant and equipment	247,469	240,489	6,980
Intangible assets	21,596	23,551	(1,954)
Goodwill	15,647	14,735	912
Financial assets	1,850	1,703	146
<b>Net fixed assets</b>	<b>286,561</b>	<b>280,478</b>	<b>6,083</b>
Employee benefits	(5,192)	(5,910)	719
Other net assets/(liabilities)	(11,883)	(12,726)	843
<b>Net Capital Employed</b>	<b>423,287</b>	<b>331,420</b>	<b>91,867</b>
Cash and banks	110,682	152,656	(41,974)
ST bank payables and loans	(60,481)	(48,384)	(12,098)
M-LT bank payables and loans	(202,234)	(166,315)	(35,919)
M-LT bond loan	(70,301)	(83,210)	12,910
ST bond loan	(13,108)	(7,459)	(5,649)
Current loans	9,964	860	9,104
Other financial payables	(22,407)	(27,466)	5,058
<b>Net Financial Position</b>	<b>(247,885)</b>	<b>(179,318)</b>	<b>(68,567)</b>
Group shareholders' equity	(175,401)	(152,101)	(23,300)
Equity attributable to non-controlling interests	(1)	(1)	0
<b>Total shareholders' equity</b>	<b>(175,402)</b>	<b>(152,102)</b>	<b>(23,300)</b>

In the consolidation process, the balance sheet items expressed in foreign currencies were impacted by the write-back/write-down of opening balance sheet items in 2022 (currency translation effects) principally between the Euro the US and Chinese currencies: the changes in the balance sheet items compared to 2021 arose partly due to this factor.

**Net working capital** amounts to Euro 153.8 million, increasing Euro 84.2 million on Euro 69.6 million in 2021.

The movement is mainly due to the increased value of inventories, both in view of their quantity and the increased price of raw materials.

**Fixed assets** at December 31, 2022 amounted to Euro 286.6 million, an increase of Euro 6.1 million compared to the Euro 280.5 million of the previous year, due to the combined effect of:

1. net investment activities in tangible and intangible assets of Euro 48.4 million, including Euro 9.7 million regarding the increase in the year concerning the movement in goods recognised as per IFRS 16;
2. positive conversion differences and other minor items for Euro 5.8 million;
3. amortisation and depreciation in the year of Euro 47.9 million.

Investments in property, plant and equipment are outlined in detail in the Notes and mainly concerned: (a) the technological upgrading and improvement of existing plant and equipment; (b) efficiency increases at the ECONYL® regenerated caprolactam production plant (c) projects to improve industrial and production efficiency; (d) an increase in production capacity in the various product lines and geographic areas in which the Group operates; (e) the construction of a demo-plant for the production of bio-nylon 6 using renewable raw materials; and (f) rights-of-use pursuant to IFRS 16.

The increase in intangible assets is mainly due to: (a) development costs for textile fibre samples, which comply with the criteria set out by IAS 38; (b) the development of technology to produce bio-caprolactam and, consequently, bio-nylon 6 from renewable raw materials and their testing by producing prototypes; and (c) Information and Communication Technology operations. These changes are also outlined in the Notes.

**Shareholders' Equity** increased by Euro 23.3 million, from Euro 152.1 million to Euro 175.4 million, substantially due to the consolidated net profit of Euro 29.2 million and the positive exchange differences from the translation of the financial statements expressed in currencies other than the Euro for Euro 5.6 million, partially offset by the distribution of dividends (Euro 6 million) and the purchase of treasury shares for Euro 5.5 million.

The **Net Financial Position** (net debt) at December 31, 2022 amounted to Euro 247.9 million, compared to Euro 179.3 million in the previous year, increasing Euro 68.6 million. The main factors are outlined in the consolidated cash flow statement and principally concern (a) cash flow generated by operating activities of Euro 85.4 million, (b) the changes in net working capital which absorbed cash of Euro 98.5 million mainly due to the value of inventories and (c) cash flows from investing activities which absorbed Euro 39 million, excluding the IFRS 16 effects which do not generate cash flows. The distribution of dividends and the purchase of treasury shares absorbed cash of Euro 11.5 million.

Group company current account liquidity, diversified by region and institution, decreased from Euro 153 million at December 31, 2021 to Euro 111 million at December 31, 2022.

New loans totalling Euro 94 million were agreed in the year. A breakdown of the bank debt is provided in the Notes.

The short-term credit lines granted to the Group companies were available for a total amount at period-end of Euro 74.1 million, and all the relative lines remain permanently unused. A "Shelf Facility" line was in addition available, related to the bond loan signed by the Prudential Group companies for a total amount of approx. USD 50 million.

## 11. INTERCOMPANY TRANSACTIONS AND TRANSACTIONS WITH RELATED COMPANIES

### 11.1 Inter-company transactions

Aquafil Group operations directly involve — both in terms of production and distribution — the Group companies, which are assigned (depending on the case) the processing, special processing, production and sales phases for specific regions.

The main activities of the various group companies and principal events in 2022, broken down by each of the three product lines, were as follows.

#### **BCF (Bulk Continuous Filament for textile floor covering) Line**

The core business of the Aquafil Group is the production, re-processing and sale of yarn, mainly polyamide 6-based yarn, partly petroleum based and partly from regenerated ECONYL®, for the higher-quality end-markets. The Group also produces and markets polyester fibres for certain textile flooring applications.

The Group companies involved in the production and sales processes for this product line are the parent company Aquafil S.p.A., with production site in Arco (Italy), Tessilquattro S.p.A., with production based in Cares (Italy) and in Rovereto (Italy), Aquafil SLO d.o.o., with facilities in Ljubljana, Store and Ajdovscina (Slovenia), Aquafil USA Inc. with two facilities in Aquafil Drive and Fiber Drive in Cartersville (U.S.A.), Aquafil Synthetic Fibres and Polymers Co. Ltd. with facilities in Jiaxing (China), Aquafil Asia Pacific Co. Ltd. with facilities in Rayong (Thailand), Aquafil UK, Ltd. with facilities in Kilbirnie (Scotland), the commercial company Aquafil Benelux-France B.V.B.A. based in Harelbeke (Belgium) and the commercial company Aquafil Oceania Pty Ltd., Melbourne (AUS).

Group commercial operations for this product line are undertaken with industrial clients, which in turn produce for the intermediate/end-consumer markets, whose sectors are principally (a) the "contract" markets (hotels, offices and large public environments), (b) internal high-end car floors and (c) residential textile flooring. Ongoing product and process technology innovation involves frequent updates to the yarns comprising the customer's collection; the research and development is carried out by the internal development centre in collaboration with developers within client companies and architectural studies upon the final users of carpets.

### NTF Line (Nylon Textile Filament - Fibres for textile/clothing use)

The NTF product line produces and reprocesses polyamide 6 and 66 fibres, Dryarn® polypropylene microfibers for men's and women's hosiery, knitwear and non-run fabrics for underwear, sportswear and special technical applications. The markets concern producers in the clothing, underwear and sportswear sectors, on which the main clothing brands operate.

The production/sale of fibers for textile/clothing use is undertaken by the companies Aquafil S.p.A. (Arco), Aquafil SLO d.o.o. with facilities in Ljubljana and Senozece (Slovenia), AquafilCRO d.o.o., with facilities in Oroslavje (Croatia), Aquafil O'Mara Inc., with facilities in Rutherford College (North Carolina) and Aquafil Tekstil Sanayi Ve Ticaret A.S., with commercial operations based in Istanbul (Turkey).

The percentage of NTF polyamide-6 fibre made from caprolactam obtained from the ECONYL® regeneration process continues to increase, and the product is being increasingly well-received by clothing brands that are sensitive to environmental issues.

### Nylon 6 polymer line

The Group produces and sells polymers and polyamide 6 for end segments, including "engineering plastics" (moulding).

The polymers are mainly produced/sold by Aquafil S.p.A., Aquafil SLO d.o.o. and Aquafil USA Inc. Cartersville (U.S.A.). The companies Tessilquattro S.p.A. and Aquafil S.p.A. have begun the sale of engineering plastics for the plastic moulding industry, with production carried out at the new production site in Rovereto (TN).

### ECONYL® regeneration process

A significant proportion of polyamide-6 fibres, for both the BCF and the NTF product lines, as well as for polymers, are produced using the caprolactam from regenerated ECONYL®, a logistical-production system which obtains top-quality caprolactam from the transformation of materials, and mainly recovered industrial (pre-consumer) polyamide 6 and/or (post-consumer) materials disposed of at the end of their life cycle.

The caprolactam monomer obtained at the Ljubljana plant from the ECONYL® process supports all three product lines — BCF, NTF and polymers — as an alternative raw material to that from fossil sources, for applications (a) in textile flooring with a specific sustainability focus, (b) in clothing and accessories, in particular at the request of the leading international fashion brands more dedicated to a concrete circular economy and (c) in the design and manufacture of innovative polyamide 6 based plastic products, instead of other plastic materials that can not be restored to their original state by way of chemical regeneration such as polyamide 6.

The ECONYL® regeneration process is fed by recovering polyamide-6 textile flooring materials and fish netting at the end of their useful lives and a series of other industrial and consumer waste materials with high polyamide-6 content. The process is completed at the facilities of AquafilSLO d.o.o. in Ljubljana (SLO), while taking advantage of synergies within a single system of logistics and production across multiple Group companies. For the regeneration of textile flooring, certain stages of material collection and pre-treatment of used carpeting are carried out by the companies Aquafil Carpet Recycling (ACR) #1 Inc. in Phoenix, Arizona (USA) and Aquafil Carpet Collection (ACC) Inc., Phoenix, Arizona (USA), Miramar, Chula Vista and Anaheim (California); the company ACR #1 is engaged in the processes of extraction of nylon 6 and other by-products from the "end-of-life" carpets and subsequent regranulation in pellets in order to effectively support the ECONYL® industrial process at the Ljubljana plant. the company ACR #2, during the year stopped production activities related to the ECONYL® process by transferring the production lines to ACR #1 and AquafilSLO d.o.o. and maintained the activity of leasing logistics space to third parties. For the regeneration of fish netting, an interest was acquired in the company Aquafil Chile SpA, Santiago (Chile), in order to strengthen and consolidate the procurement of good quality polyamide 6 based fishing nets to ensure consistent and stable support for the ECONYL® regeneration process, while the collaboration continued with the company in which a minority interest is held Nofir AS in Bodø, Norway, a European leader in the collection and treatment of end-of-life fish netting.

### Other activities

The Slovakian company *Cenon S.r.o.* (Slovakia) does not undertake production activities. On January 12, 2022, the company sold the assets held in Slovakia to third parties, without generating income statement impacts as the relative assets have already been fully written-down. The company is not operative and will likely be the subject of voluntary liquidation.

*Aquafil Engineering GmbH*, Berlin (Germany), carries out industrial chemical plant design and supply for customers outside the Group and in part for Group companies.



*Aqualeuna GmbH*, with registered office in Berlin (Germany), does not conduct operations-related activities and is solely the holding company, with a 100% stake, of *Aquafil Engineering GmbH*. The company currently has a tax dispute pending with the German Tax Agency, a detailed explanation of which may be found in the Notes.

The subsidiary *Aquafil India Private Ltd.* (India) does not undertake operational activities.

During the period, the company *Bluloop S.r.l. Società Benefit* entered the consolidation scope. The company is engaged in the sale, also through e-commerce channels, of sustainability-focused products and services. For further details, reference should be made to chapter 4 of this report.

With the other related companies to which reference is not expressly made, commercial operations are undertaken at arm's length, in consideration of the features of the goods and services rendered.

## 11.2 Related party transactions

The transactions of the Aquafil Group with related parties, as defined by international accounting standard IAS 24, relating to the consolidated financial statements for the year ended December 31, 2022, are presented below. The Aquafil Group undertakes commercial and financial transactions with its related companies, consisting of transactions relating to ordinary operations and at normal market conditions, taking into account the features of the goods and services provided.

The Group has made available on its website [www.aquafil.com](http://www.aquafil.com), in the Corporate Governance section, the Related Parties Transactions Policy.

The Aquafil Group undertakes transactions with the following related parties:

- Parent Company and other companies at the head of the chain of control (Parent Companies);
- other parties identified as related parties in accordance with IAS 24 (other related parties).

The transactions between the Parent Company, its subsidiaries outside of the consolidation scope and the Aquafil Group concern financial transactions, commercial leases and transactions for the settlement of accounts receivable and payable arising from the tax consolidation of *Aquafin Holding S.p.A.*, which includes, in addition to *Aquafil S.p.A.*, the company *Tessilquattro S.p.A.* The transactions are shown in the notes to the financial statements.

The transactions were executed at market conditions; for a breakdown of the income statement and balance sheet amounts generated by related party transactions included in the Group consolidated financial statements at December 31, 2022, reference should be made to the Explanatory Notes.

With the exception of that indicated above there were no other transactions or contracts with related parties which, with regard to materiality upon the financial statements, may be considered significant in terms of value or conditions.

## 12. RESEARCH AND DEVELOPMENT

### 12.1 Introduction

The Aquafil Group has a Research & Development unit that manages and oversees all product and process innovation applied to BCF yarns, NTF yarns, PA6 polymers and ECONYL® and the continued upgrading and pre-industrialisation of the bio caprolactam production process.

Technological research, development and innovation for 2022 concerned the main stages of production and the materials used, from the production inputs to the by-products of polymerisation, spinning, reprocessing and, for ECONYL®, regeneration and recycling of materials.

A number of projects — due to their complexity — last many years and are undertaken in collaboration with outside partners; other less complex projects present results in a short timeframe.

More specifically, R&D led to actions regarding efficiency, performance, product functioning, eco-design, recycling, use of auxiliary products from natural origins, the study of micro-plastics, the development of polymerisation processes, and sectors in areas of product application, taking advantage of outside contributions coming in the form of market input, new technologies, new materials, and the use of solutions recommended by qualified research partners.

Research and Development carried out by the Aquafil Group in 2022 incurred operating costs and investment activity totalling Euro 13 million, corresponding to 1.9% of consolidated revenues.

## 12.2 Summary and description of the individual projects

Technological research, development and innovation concerned numerous projects, some of which began in 2022, while others began in prior years. The main projects are listed below:

1. "Ecodesign": identification of basic knowledge and technology for the creation of industrial prototypes of textile flooring designed at origin to recover the residual value of the materials at the end-of-use. The project is carried out in collaboration with carpet manufacturers and suppliers of the materials they use (e.g., primary backing, latexes, etc.) to create know-how that has industrial value. Various options have been preliminarily tested, such as the use of innovative fillers, separator layers, less cross-linked binders for easier removal at the recycling stage, pre-processing of the carpet backing;
2. as part of the EcoDesign activities, Aquafil participates in the CISUFLO: (Circular Sustainable FLOOR covering) European project, with a total duration of 4 years and funded by the European Commission under the Horizon 2020 program. The project involves 23 consortium members and aims to identify innovative EcoDesign solutions and recycling technologies dedicated to flooring. Aquafil S.p.A. participates in two capacities: as a recycler of polyamide 6, with responsibility for assessing the effectiveness of new design criteria in terms of recyclability of developed carpet tiles; as an innovator of the product (EcoDesign) and dedicated recycling technologies. In this regard, Aquafil has invested in the building of innovative machinery capable of separating the polyamide obtained from carpet tiles (carpet tiles), from rubber mats (rubber mats) and from woven carpets (aviation segment);
3. continuation of the development and fine-tuning of process technology for the selection and recycling of end-of-life polyamide carpets, which is being conducted in both Slovenia by AquafilSLO and the USA by the companies ACR #1 Inc. and Aquafil Carpet Collection LLC in order to improve the quality of materials to feed the process of producing ECONYL® polyamide 6;
4. development of BCF yarns that are intrinsically flame retardant and feature objective approaches applied to the fibres in order to improve cleaning and stain resistance; development of methods of cleaning and sanitising PA6 rugs/carpet that have a low environmental impact;
5. development of new NTF fibers with high conductivity for application in the carpet industry, and testing of functionality by partners in accordance with ISO standards;
6. study and engineering of stabilising molecules aimed at increasing the UV and heat resistance of polyamide 6 for outdoor applications of nylon textile fibres (NTFs);
7. development of antibacterial and antiviral NTF fibers, multi and microfilament fibers for clothing segment applications, development of a new mass-dyed NTF fiber with a high content of recycled material and a reduced GWP (Global Warming Potential) value;
8. study of innovative auxiliary products, including those of a natural origin, aimed at improving the chemical and physical characteristics of BCF and NTF yarns;
9. redesign of the opacifier master batch production method in order to produce nylon textile filaments (NTF) by way of the development of technologically innovative solutions;
10. research and development of ECONYL® PA6-based materials (with special additives developed in-house) that can be used in 3D printing. 3D printed items are always recyclable in the ECONYL® process without the need for the pre-separation of the various components. The compound produced was the subject of patent application in November 2022;
11. study and development of "cast" nylon based on polyamide 6 ECONYL® with high mechanical performance, conducted in collaboration with the University of Trento's Department of Mechanical and Industrial Engineering, to produce mono-material composite polymers that can be fully regenerated using the ECONYL® process; In 2022, in addition to testing at the University's laboratories, samples of anionic polymer matrix were produced in various sizes, geometries and types of PA6 fibers. A multipurpose pilot plant suitable also for moulding ECONYL® anionic rods and sheets was set up at Aquafil S.p.A.;
12. development of standard approaches to determining the micro-plastics found in various forms (i.e. solid, liquid, gas) in the textile industry and other segments;
13. "EFFECTIVE" project, coordinated by AquafilSLO and financed by the Circola Bio-based Europe (CBE, previously the Bio-Based Industries Joint Undertaking - BBI JU) public-private partnership between the European Union and a consortium of circular bio-economics enterprises and research centres) under the EU research programme Horizon 2020 aimed at developing fibres and films for consumer goods derived from bio-polyamides and bio-polyesters that fit within the circular economy. Regarding PA6 bio polyamide in 2022 with polymer obtained from Aquafil and subsequently processed into BCF and NTF yarns, prototypes of textile

flooring, textiles and sportswear (beach and cycling wear) were successfully obtained. In addition, bio PA6 frames were produced for the eyewear industry. In the area of biopolymers, the process for the production of PA6.9 polymer has been developed and tested successfully, particularly for the production of blow and cast monomaterial films. In addition, the production of PA6.9-6 copolymers as hot melt adhesives in the textile flooring and apparel industry has been developed in accordance with end-of-life recycling;

14. "organic caprolactam" project in collaboration with Genmatica Inc., in San Diego, California (USA). This project involved the start-up of a demonstration plant (representative of industrial scale) dedicated to the transformation of intermediate organic 6-ACA into bio-caprolactam at the AquafilSLO plant in Ljubljana. In early 2022, the first batch of bio-caprolactam (in the range of several tonnes) was produced, which - as part of the EFFECTIVE project - was subsequently converted to bio-Nylon 6 in industrial batch autoclaves at the Arco site. The polymer obtained was later used for the production of the BCF and NTF yarns being reprocessed by the project partners into end-consumer goods. In the second half of 2022, the bio-caprolactam production campaign at the demonstration plant was repeated, which, based on previous experience, led to a significant improvement in the quality of the product obtained;
15. research and development of processes aimed at the chemical recovery of polymers from polycondensation (polyamides and polyesters), also in composite form: this is being done in collaboration with the University of Padua and has produced interesting research results, including two new patents held by Aquafil S.p.A. on end-of-life depolymerization catalysts and on separation processes of composite materials with glass fiber already subject to international extension in 2022. This project also led to the need to build a flexible, multipurpose system that is midway between a lab system and a pilot system and makes it possible to conduct testing of new polymer regeneration processes;
16. efforts to increase the efficiency of polymerisation processes and of new polymerisation technologies in order to enhance the mechanical properties of the polymers;
17. development of a proprietary system for the on-field identification of various polymer classes with a specific algorithm developed for analysing the composition of waste from the textile, plastics processing, fisheries and aquaculture and carpet industries, with data traceability and cloud storage;
18. identification, development and assessment of an appropriate technology for recovery and utilisation of by-products of the depolymerisation process through dedicated pyrolysis processes, enabling the transformation of residual polymer and organic mixes into non-fossil fuels;
19. optimisation of polymerisation and depolymerisation production processes, in order to reduce energy and water consumption;
20. as part of the continuous improvement of the ECONYL® process, optimization of caprolactam distillation and purification processes aimed at reducing energy consumption and decreasing process by-products;
21. in order to initiate the recovery of PA6-based materials through the ECONYL® process, a process was developed to separate polymer fibers (as such and/or in the form of fabrics) from elastomers by means of liquid phases, avoiding the use of organic solvents. The process was also found to be suitable for PA66- and PET-based fabrics and was therefore the subject of a special patent application filed in December 2022.

### 12.3 Patent developments

The following is a list of patents that have been filed:

- a) patent registered to Aquafil S.p.A. 8.6.2017, PCT, on the composition of fish-net coatings;
- b) patents filed by AquafilSLO d.o.o., published on June 28, 2018, with validity in all 152 countries subscribing to the Patent Cooperation Treaty (PCT), regarding a method to recover copper from discarded fishing nets in support of the ECONYL® process; in 2020, the patent was approved in the United States and Japan and from 2021 will be approved in China and in the 38 member states of the European Patent Organisation; extension of the patent to Canada, Chile and India is currently under way;
- c) patent filed by AquafilSLO d.o.o., published on November 29, 2018, and valid in the USA, on the process of recovering and separating scrap material from polyamide carpets at the end of their life cycle, and the international patent valid in PCT member countries was published on December 6, 2018. A further patent application for integrations on the same process by Aquafil SLO is currently in the publication process;
- d) patent filed by AquafilSLO d.o.o. in 2017 and published on June 20, 2019, in all PCT-member countries, with specific national/regional extensions in countries in which there are caprolactam production sites, including the EU, the USA, China, Russia and Japan, related to the improvement and optimisation of solvent-free caprolactam purification technology. As a result of these activities, the situation at year-end was:
  - patent definitively granted in the 38 members states of the EPO;
  - definitive approval in Japan;
  - Eurasian patent No. 038223, covering 9 nations including Russia and Belarus, was obtained in July 2021;
  - in December 2021, the US Patent Office, in addition to the original patent, confirmed approval of the second Divisional Patent for the USA;

- publication is confirmed in China whose Patent Office issued two opinions on the claims between August and December 2022 to which comprehensive answers and technical explanations were given and forwarded by the agent to the relevant office. The concession in China is also expected to be obtained during 2023;
  - e) patent filed in February 2021 and published in August 2022 under the name AquafilSLO d.o.o., on a new multi-component NTF fiber with reduced impact on GWP (Global Warming Potential) and related manufacturing process;
  - f) as part of the project relating to the development of bio-caprolactam, the patent application was filed on December 28, 2018, at the Italian Patent Office, jointly by Aquafil S.p.A. and Genomatica Inc., San Diego, California (USA), and relating to the transformation phase of the initial linear intermediate obtained through fermentation processes into the final cyclic ring monomer used for the production of bio-nylon 6; in December 2019, the Italian patent was then filed under the PCT with the code WO2020/136547 with validity in all 152 participating nations; on July 2, 2020, the PCT patent was published. In 2020 and 2021, the national patents between Aquafil and Genomatica were extended with reference to the areas in which there is both caprolactam production and availability of renewable raw materials; the applications have been filed with:
    - EP, European patent organisation that includes 38 European countries;
    - Eurasian Patent Organization (Russia and 7 former Soviet Union countries);
    - USA, Mexico, Brazil;
    - China, Japan, South Korea, Thailand and India.
- In 2022, the assessments from the patent offices in the various regions arrived, which are currently being followed up in order to obtain confirmation of the concession. Activities will continue into 2023; the patent was published in 2022 by Eurasia and USA;
- g) as part of the development of the PET recycling process, a patent application has been filed in Italy with No. 102021000012617; the patent is owned by Aquafil S.p.A. with joint inventors Aquafil and the Department of Industrial Engineering of the University of Padua. The application was filed on May 17, 2021. On May 16, 2022, following further interesting additions in the laboratories of Aquafil and the University of Padua, the application was submitted to PCT Patent. The international patent was published on November 24, 2022 WO 2022/243832A1. The opinion of the International Research Authority reviewing the PCT patent was received in August 2022, and the preparation of responses to the observations commenced with the support of experimental activities again undertaken with the Department of Engineering of Padua. In 2023, extensions in individual countries and regions will be carried out within the deadlines;
  - h) with regard to research into materials that can feed the ECONYL® caprolactam regeneration process, our focus is on reinforced PA6 fibreglass, which is widely available and is being reused to a limited extent by way of mechanical recycling, but most of which ends up in landfills. Within the scope of the collaboration with the University of Padua, a pilot process has been developed that results in the separation of a partially depolymerised PA6 polymer and in unaltered fibreglass. A patent application was filed in Italy on November 10, 2021 (No. 102021000028601), with Aquafil as the patent holder and co-inventors Aquafil and the Department of Industrial Engineering of the University of Padua. In July 2022, an opinion was received from the UIBM (Italian Patent and Trademark Office) using the European Patent Office in which all claims were found to be innovative and inventive. On November 10, 2022, the international extension was made as a PCT, which will be published in the first half of 2023, when the specific regional and national extensions will be made;
  - i) as part of the studies for the application of PA6 polyamide for 3D printing, an Italian patent application owned by Aquafil S.p.A. was filed on November 3, 2022 as No. 102022000022578 for a printable additive polyamide-based compound; the compound then also becomes directly chemically recyclable without any prior physical separation pre-treatment. During 2023, the first opinion of the EPO through UIBM is expected to proceed with the extension of the international PCT patent;
  - j) for the purpose of separating elastomers from polymeric materials such as synthetic threads and PA6-based fabrics, a process and methodology has been developed that integrates with the ECONYL® process. The process has been the subject of a patent application under the ownership of Aquafil S.p.A. The filing was made at the Italian office on December 9, 2022, IT No. 102021000028601, and within 12 months the first opinion will be obtained from the UIBM, for which the European office (EPO) is in charge for Italy, which will allow the evaluation of the innovation and possible additions to proceed with the extension of the international PCT patent.

### 13. CORPORATE GOVERNANCE

For further information on corporate governance, reference should be made to the Corporate Governance and Ownership Structure Report, prepared in accordance with Article 123-bis of Legs. Decree 58/1998, approved by the Board of Directors, together with the Directors' Report made available at the registered office of the company and on the Group website (<http://ir.aquafil.com/ita/bilanci-relazioni>).

Certain disclosure within the scope of the Corporate Governance and Ownership Structure report is covered by the "Remuneration Report" drawn up as per Article 123-ter of Legislative Decree 58/1998. Both reports, approved by the Board of Directors, are published in accordance with law on the company website [www.aquafil.com](http://www.aquafil.com).



## 14. OTHER INFORMATION

### 14.1 Management and co-ordination

The Company is not subject to management and co-ordination pursuant to Article 2497 and subsequent of the Civil Code.

The Parent Company Aquafin Holding S.p.A. does not exercise management and co-ordination over Aquafil as substantially operating as a holding company, without an independent organisational structure and, consequently, de facto does not exercise direct management over Aquafil S.p.A.

All of the Italian direct or indirect subsidiaries of Aquafil S.p.A. have met the publication requirements under Article 2497-*bis* of the Civil Code, indicating Aquafil S.p.A. as the company exercising management and co-ordination.

### 14.2 Treasury shares

At December 31, 2022, the Company held a total of 1,181,685 treasury shares, purchased following authorisation by the Shareholders on October 20, 2021, and comprising 2.3071% of share capital. Shares were purchased for a total value of Euro 8,014,531, of which 5,469,675 related to purchases completed during 2022. At the date of approval of this report, as a result of purchases made in January 2023, the Company holds a total of 1,278,450 treasury shares, comprising 2.4961% of the share capital, for a total value of Euro 8,612,054.

### 14.3 Group IRES (Corporate Income Tax) taxation procedure

Aquafil S.p.A. is the consolidating company of the group taxation procedure, as chosen by Aquafin Holding S.p.A. for the 2021-2023 three-year period in accordance with Articles 117 to 128 of Presidential Decree 917/1986, as amended by Legs. Decree No. 344/2003. Similarly, the company Tessilquattro S.p.A. is a consolidated company within the Group taxation procedure, in accordance with the option exercised by Aquafin Holding S.p.A. as consolidating company.

In preparing the interim financial statements of these companies, the effects of the transfer of the tax positions due to the consolidated tax accounts were taken into account; in particular, the subsequent accounts receivable from/payable to the consolidating company were recognised.

### 14.4 Organisation, management and control model in accordance with Legs. Decree 231/2001

The Italian companies of the Aquafil Group have supplemented the organisation, management and control model as per Legislative Decree No. 231 of June 8, 2001, including the conduct code and operating procedures, as updated by: (a) Law No. 3 of January 9, 2019, "Measures to combat offenses against the public sector, as well as on the statute of limitations and the transparency of political parties and movements", with particular reference to the new offense as per Article 346-*bis* of the Italian Criminal Code - Exercising of undue influence, introduced by Article 25 of Legislative Decree 231/01; (b) Law No. 157 of December 19, 2019, "Conversion into law, with amendments, of Legislative Decree No. 124 of October 26, 2019, containing urgent provisions on tax matters and for unavoidable needs", which introduces tax offences into the catalogue as per Legislative Decree No. 231/01; (c) Legislative Decree No. 75 of July 14, 2020, "Implementation of Directive (EU) 2017/1371 on the fight against fraud to the EU's financial interests by means of criminal law".

### 14.5 Impairment Test Procedure

In order to conduct impairment tests for the purpose of verifying the recoverability of assets, as described below, the Parent Company has adopted specific, formal procedures as approved by the Board of Directors on February 15, 2019.

## 15. RECONCILIATION BETWEEN THE PARENT COMPANY AND GROUP SHAREHOLDERS' EQUITY AND OPERATING RESULT AT DECEMBER 31, 2022

A breakdown of the composition and movement of shareholders' equity of the parent company and the Group consolidated financial statements at December 31, 2022 is presented in the following table:

(in Euro thousands)	Shareholders' Equity	Net Result
<b>Parent company net equity and net result</b>	<b>120,679</b>	<b>15,930</b>
Consol. Adjustments on parent company	3,010	4,294
<b>Elimination of carrying amounts of consolidated investments</b>		
Difference between Shareholders' Equity & Carrying amount	50,773	
Pro-quota results of investees	18,540	18,540
<b>Elimination of the effects of transactions between consolidated companies</b>		
Reversal of write-downs net of revaluations of investments	0	0
Inter-company dividends	0	0
Inter-company profit/(loss) included in inventories & other minor	(12,001)	(4,014)
Translation reserve	(5,600)	(5,600)
<b>Net equity and net result as per consolidated financial statements</b>	<b>175,402</b>	<b>29,151</b>
Minority interest net equity and net result	1	0
<b>Group net equity and net result</b>	<b>175,401</b>	<b>29,151</b>

## 16. OUTLOOK

2022 demonstrated the Aquafil's Group's capacity to successfully navigate challenging economic conditions to deliver excellent results.

2023 shall again feature a significant degree of Aquafil Group market volatility due to the continually changing economic and geopolitical environment.

In order to tap into the opportunities and take on the challenges of 2023, the Aquafil Group shall continue to execute its strategic operating plans of recent years, i.e.:

- a) the geographic diversification of activities, which has been - and increasingly will be - a key factor for growth and efficiency;
- b) a key focus on social and environmental sustainability and corporate governance, which shall continue to be a driver of strategic decision-making with a view to increase value creation;
- c) the extension of production and sales activities in order to ensure the Group's ongoing growth and an improved customer product range;
- d) ongoing research and development to optimise production processes and maintain our technological advantage over the competition.





Non Financial Report  
Legislative Decree no. 254 of 2016







## METHODOLOGICAL NOTE

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

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

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

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

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

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

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

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

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

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

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

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

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

## DATA COLLECTION AND PROCESSING METHODS

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

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

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

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

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

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

Specifically:

- data entered in the tool on a monthly and half-yearly basis are subject to two successive controls carried out by persons with defined roles within the management system (Table 1)
- the reliability and accuracy of results and correct processing of entered data is guaranteed by an independent third-party audit conducted by DNV GL<sup>1</sup>, which has issued a certificate downloadable from the tool's login page ([http://www.aquafilcsrtool.com/social/images/Aquafil\\_Data\\_collection\\_tool\\_Assurance\\_Statement\\_2023\\_01\\_13.pdf](http://www.aquafilcsrtool.com/social/images/Aquafil_Data_collection_tool_Assurance_Statement_2023_01_13.pdf)).

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

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

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

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







## CHAIRPERSON'S LETTER

(GRI 2-22:2021)

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

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

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

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

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

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



## 1. OPERATIONAL MODEL

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

### 1.1. The Aquafil Group

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

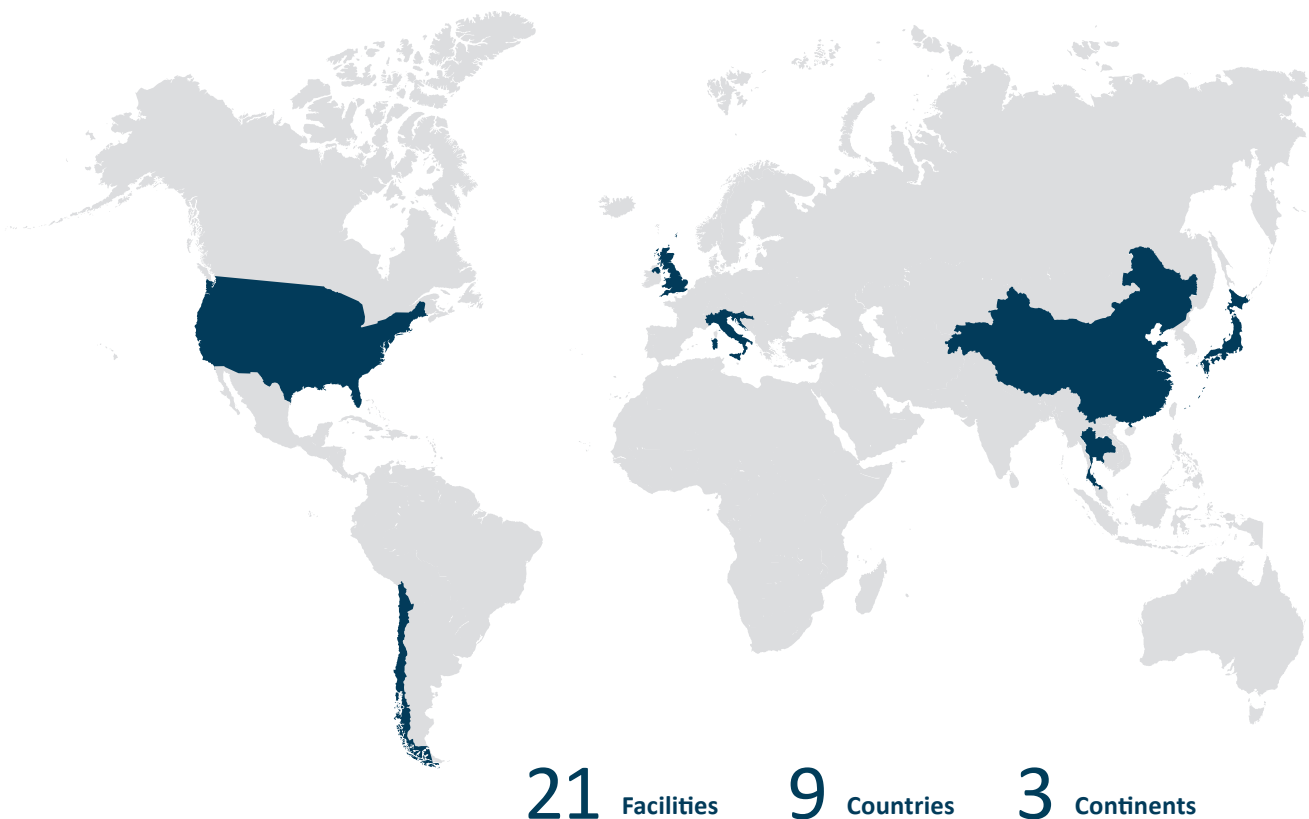
Aquafil S.p.A. was founded in Arco (Italy) in 1965, where its registered office and beating heart are still located to this day. At December 31, 2022, the Group has 20 production plants and one logistics hub in nine countries (Italy, Slovenia, UK, Croatia, USA, China, Thailand, Japan, and Chile) across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

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

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

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

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



## USA

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

## EUROPE

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

## ASIA

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

## SOUTH AMERICA

<p><b>AQUAFIL CHILE - SANTIAGO DE CHILE</b></p> <p><b>ERS</b> Waste preparation for ECONYL®</p>
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### 1.1.1. Product Areas

(GRI 2-6:2021)

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



#### Flooring yarns

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

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



#### Clothing and furnishing yarns

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

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



#### Polyamide 6 polymer area

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

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

### 1.1.2. Target markets and value chain

(GRI 2-6:2021)

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

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

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

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



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

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

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

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

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

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

## 1.2. Corporate Governance

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

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

The Company adopts a traditional administration and control system, whereby the Board of Directors guides company management and comprises members appointed by the Shareholders' Meeting. Control functions are the responsibility of the Board of Statutory Auditors. Since listing, the Company adopted a Self-Governance Code and, by motion of February 7, 2021, adopted the new Corporate Governance Code approved by the Corporate Governance Committee in January 2020.<sup>2</sup>

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

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

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

### 1.2.1. Shareholders' Meeting

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

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

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

## 1.2.2. Board of Directors

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

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

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

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

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

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

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

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

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

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

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

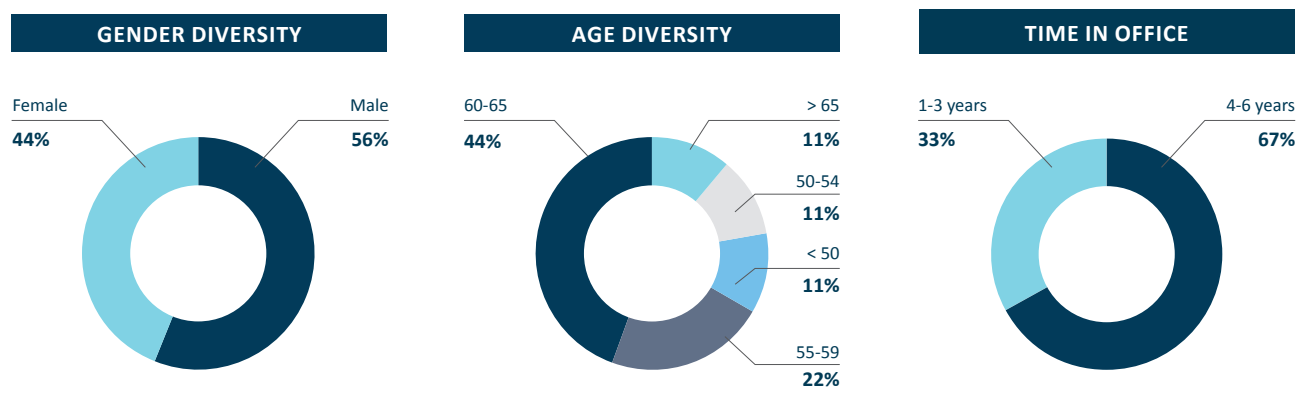
Role	Person assigned
Chairperson and CEO	Giulio Bonazzi
Executive Director	Attilio Annoni
Director	Stefano Giovanni Loro
Director	Franco Rossi
Director	Silvana Bonazzi
Director	Simona Heidempergher (*) (**)
Director	Ilaria Maria Dalla Riva (*)
Director	Margherita Zambon (*)
Director	Francesco Profumo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

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

(\*\*) Lead Independent Director.

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

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



### 1.2.3. Board of Statutory Auditors

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

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

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

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

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

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

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

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

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

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

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

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

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

The Remuneration Policy and related incentive system are promoted and approved by the Remuneration Committee, the Board of Directors, and the Shareholders' Meeting. The Board of Directors and the Committee are also responsible for its proper adoption. For further details and anything not expressly stated, please refer to the 2022 Remuneration Policy and Report<sup>3</sup>. In 2022, efforts were made to ensure greater governance transparency through the adoption of a structured approach comprising five pillars. These pillars relate to the composition and operations of the Board of Directors, the mechanisms for communicating with investors, the remuneration of Directors and Statutory Auditors (by creating a clear policy for management remuneration), and disclosures on governance and remuneration policies.

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

### 1.2.5. Control, Risks and Sustainability Committee

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



### 1.2.7. Sustainability Steering Committee

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

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

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

### 1.3. Reporting scope

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

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

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

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

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

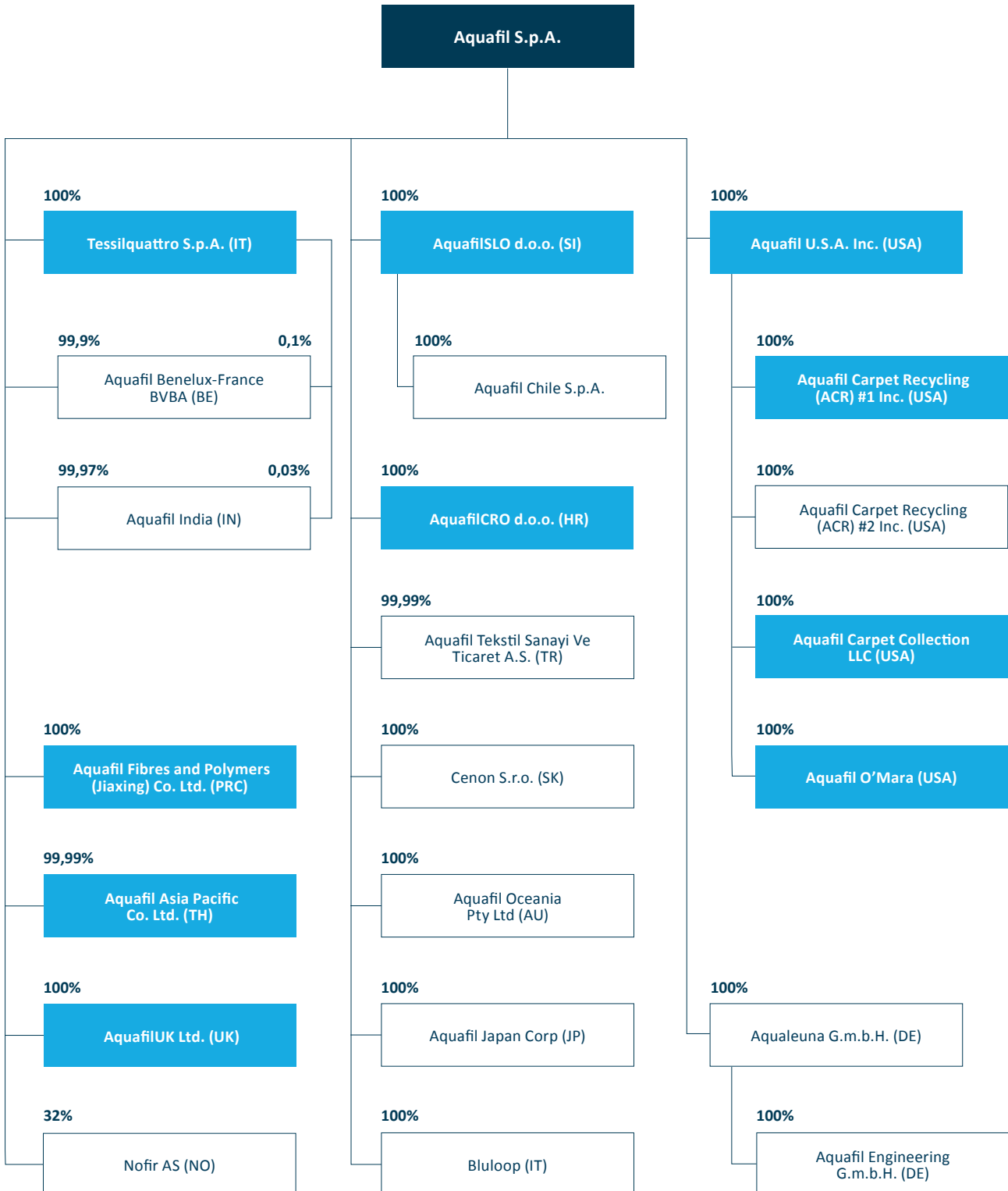
Based on these regulations, the companies excluded from the scope of the 2022 NFR are:

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

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

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

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



## 2. SUSTAINABILITY POLICIES

### 2.1. Doing business sustainably

#### 2.1.1. About Aquafil

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

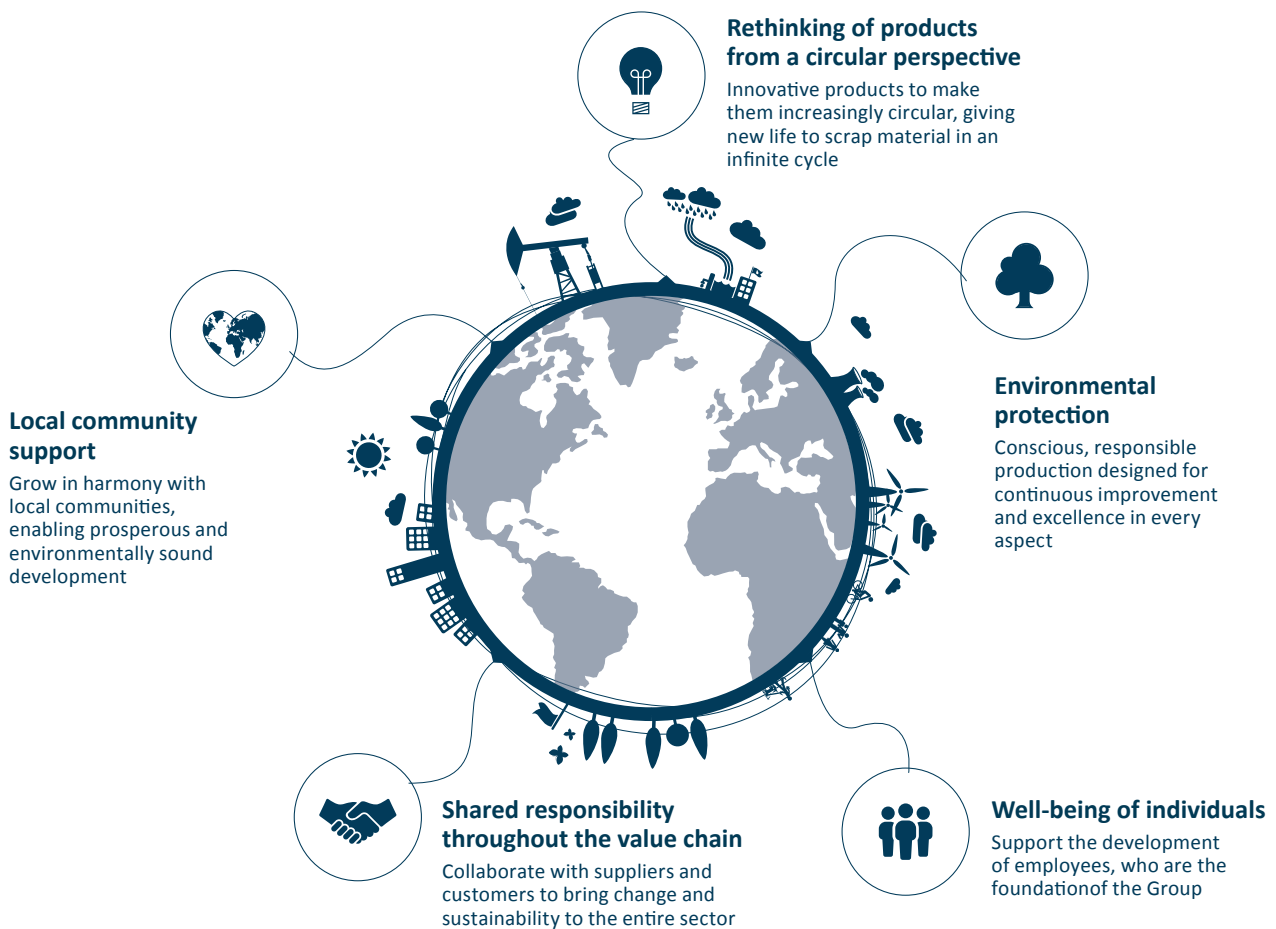
As a pioneer of circularity, sustainability is the primary building block of Aquafil's identity: it influences how its business develops, feeds its innovative drive, and defines its objectives for the future.

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

#### 2.1.2. Our promise: THE ECO PLEDGE®

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

Figure 4 - Aquafil's sustainability policy







### 2.1.3. Aquafil and the Sustainable Development Goals (SDGs)

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

Aquafil's sustainability policy and goals are also linked to the United Nations' Sustainable Development Goals to ensure consistency with overarching international agendas. The SDGs have been aligned with Aquafil's sustainability policy using the official guidelines published by GRI and UN Global Compact<sup>4</sup>, resulting in the definition of 12 goals (shown in Figure 5) to which Aquafil is able to actively contribute.

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

Figure 5 - the SDGs supported by Aquafil



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



Table 7 - Sustainability Plan - improvement areas

Sustainability pillars

**Design products with the circular economy in mind**



Objective

Target

**E** Consolidate existing supply chains

Generate 60% of total turnover from fibres containing ECONYL® brand products (on a like-for-like basis)

Involve 60% of EMEA BCF customers (nylon 6 for carpets) in the post-industrial Take-Back scheme

**E** Create new sustainable circular supply chains

Collect 35,000 tonnes of post-consumer waste to create new recycled materials

Test and validate new technologies to manufacture bio-based nylon on a pre-commercial scale

**E** Adopt an eco-design approach

Create 13 projects involving final brands in the eco-design and recycling of end-of-life garments

The first step of the Born R2R scheme (Born Regenerated to be Regenerable by Aquafil): sign a MoU (Memorandum of Understanding) with 50% of selected carpet and rug manufacturers to design products that are recyclable at end-of-life and made from recycled materials (ECONYL® nylon)

**Protect the environment**



**E** Use energy from renewable sources

Continue to procure 100% electricity from renewable sources for the entire Aquafil group.

Ensure all Group plants are ISO 14001 certified (environmental management)

Ensure all Group plants are ISO 50001 certified (energy management)

**E** Mitigate the impact of production processes

Commit to the Science Based Targets (SBTs) initiative and adhere to GHG reduction targets

Reduce the Group's total water consumption by 30% (compared to 2018)

Reduce the Group's total water discharges by 30% (compared to 2018)

**E** Reduce waste by reusing packaging

Launch a pilot project to recycle the pallets used to transport products, and achieve 50% pallet reuse for EMEA BCF business



New objective



Objective achieved



Ongoing project
















Environmental



Social



Governance

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

<sup>5</sup>The percentage has been calculated based on volumes sold.

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

Sustainability pillars

**Guarantee the well-being of individuals**



Objective

Target

<b>S</b> Reduce injuries	Ensure all Group plants are ISO 45001 certified (risk management)
<b>S</b> Support professional development	Create professional development pathways for talented Group employees
<b>S</b> Achieve equal gender representation at all company levels	Develop a D&I policy that promotes gender equality throughout the entire employment cycle, including hiring, management, professional growth, and career advancement
<b>S</b> Guarantee respect for basic Human Rights in the workplace	Ensure all Group companies are SA 8000 certified (social responsibility)

**Share responsibility along the supply chain**



**E S** Monitor supplier ethics

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

**Support local communities<sup>8</sup>**



<b>S</b> Educate individuals on environmental protection by supporting local cultural and sports clubs and helping to educate younger generations	School trips to Group plants and/or school educational activities (a minimum of five) Sponsorship of local sports events/associations (a minimum of ten)
<b>S</b> Help vulnerable groups	Support a minimum of four organisations
<b>S</b> Educate individuals on environmental protection by supporting local cultural and sports clubs and helping to educate younger generations	School trips to Group plants and/or school educational activities (a minimum of 25) Sponsorship of local sports events/associations (a minimum of 40)
<b>S</b> Help vulnerable groups	Support a minimum of six organisations

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

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

**Cross-cutting objectives**

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

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



New objective



Objective achieved



Ongoing project
















Environmental



Social



Governance

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

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

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

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



## 2.2. The shared approach

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

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

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

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

The subsequent process can be divided into three stages:

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

The details of the three stages are provided below.

### 1. Evaluation of the relevance of impacts

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

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

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

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

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

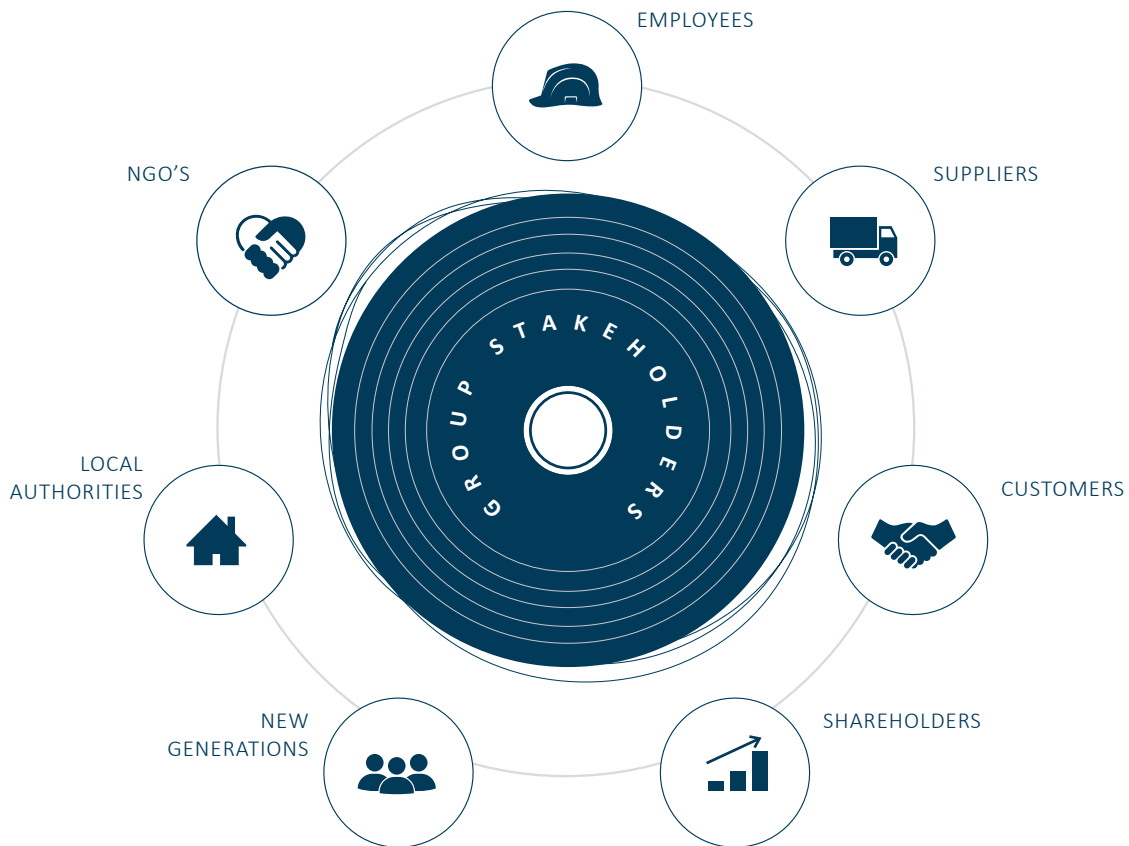
## 2. Stakeholder engagement

To ensure that all parties that could potentially be affected by the Group's impact evaluation were informed, Aquafil identified several stakeholder categories for the analysis process, which are depicted in the diagram below. 199 stakeholders were engaged, with an overall response rate of 38%.

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

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

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



## 3. Combining results and selecting material topics

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

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

The resulting material topics are shown in the table below.

Table 9: List of material topics identified

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

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

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

### 2.3. Compliance with regulations

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

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

The Organisation, Management and Control Model<sup>10</sup> adopted pursuant to Legislative Decree No. 231/2001 describes the set of rules, principles, and control activities that ensure compliance with the laws in force and prevent illicit conduct.

The Model seeks to:

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

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

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

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

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

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

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

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

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

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

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

### 2.3.2. Code of Conduct

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

Code of Conduct<sup>11</sup> contains a set of ethical and social guidelines, principles, and exemplifying provisions that are based on the values of diligence, integrity, and loyalty. Its purpose is to govern the conduct of all persons who belong to the Group or interact with it in any form and for any reason, including for a limited period of time. The Code is an essential governance tool in the preventive control system.

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

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

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

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

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

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

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

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



## 2.4. Social topics

### 2.4.1. Social responsibility for the protection of human rights

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

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

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

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

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

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

#### Management of Human Rights violation risks

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

Specifically:

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

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

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

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

### Voluntary certification processes undertaken in the social accountability area: SA8000

As mentioned above, the Group has consolidated the gradual certification of its production plants according to the SA8000:2014 standard<sup>12</sup>, with the end goal of ensuring it achieves compliance with regulatory, ethical, and social principles, including at supply chain level.

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

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

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

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

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

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

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

## 2.4.2. Personnel management

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

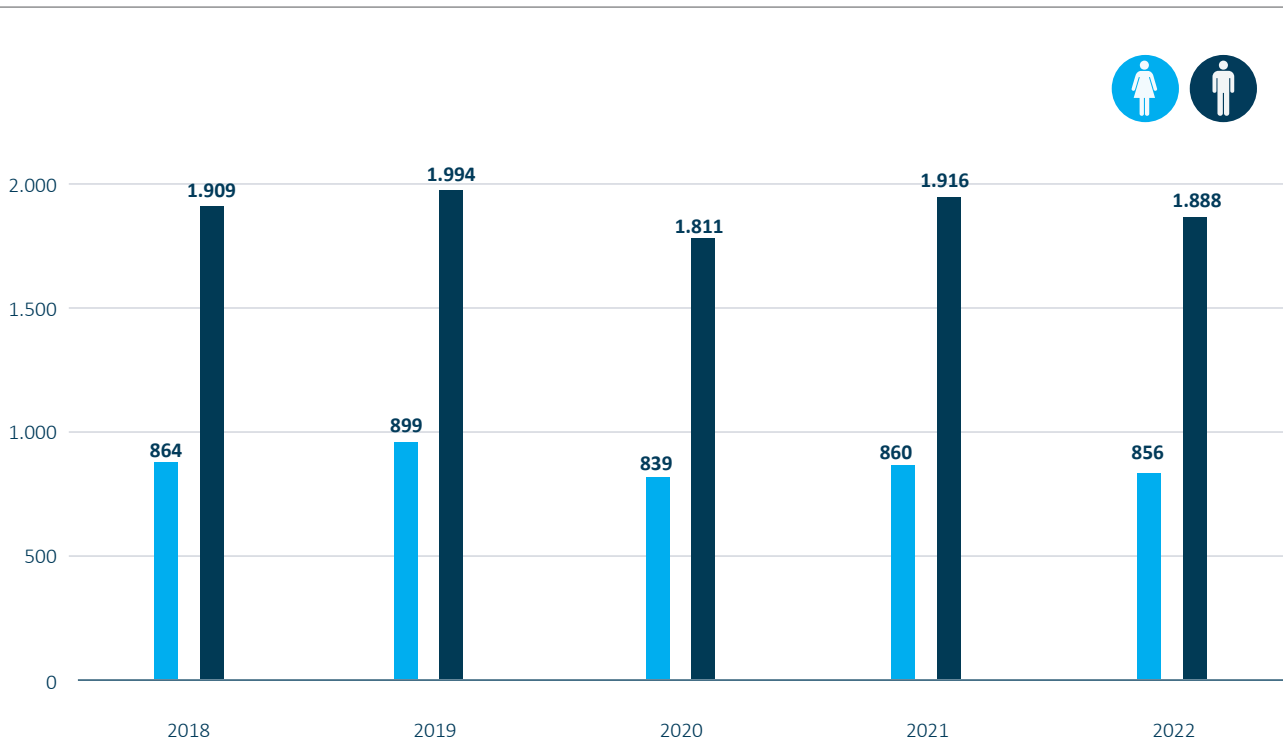
### 2.4.2.1 Aquafil personnel

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

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

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

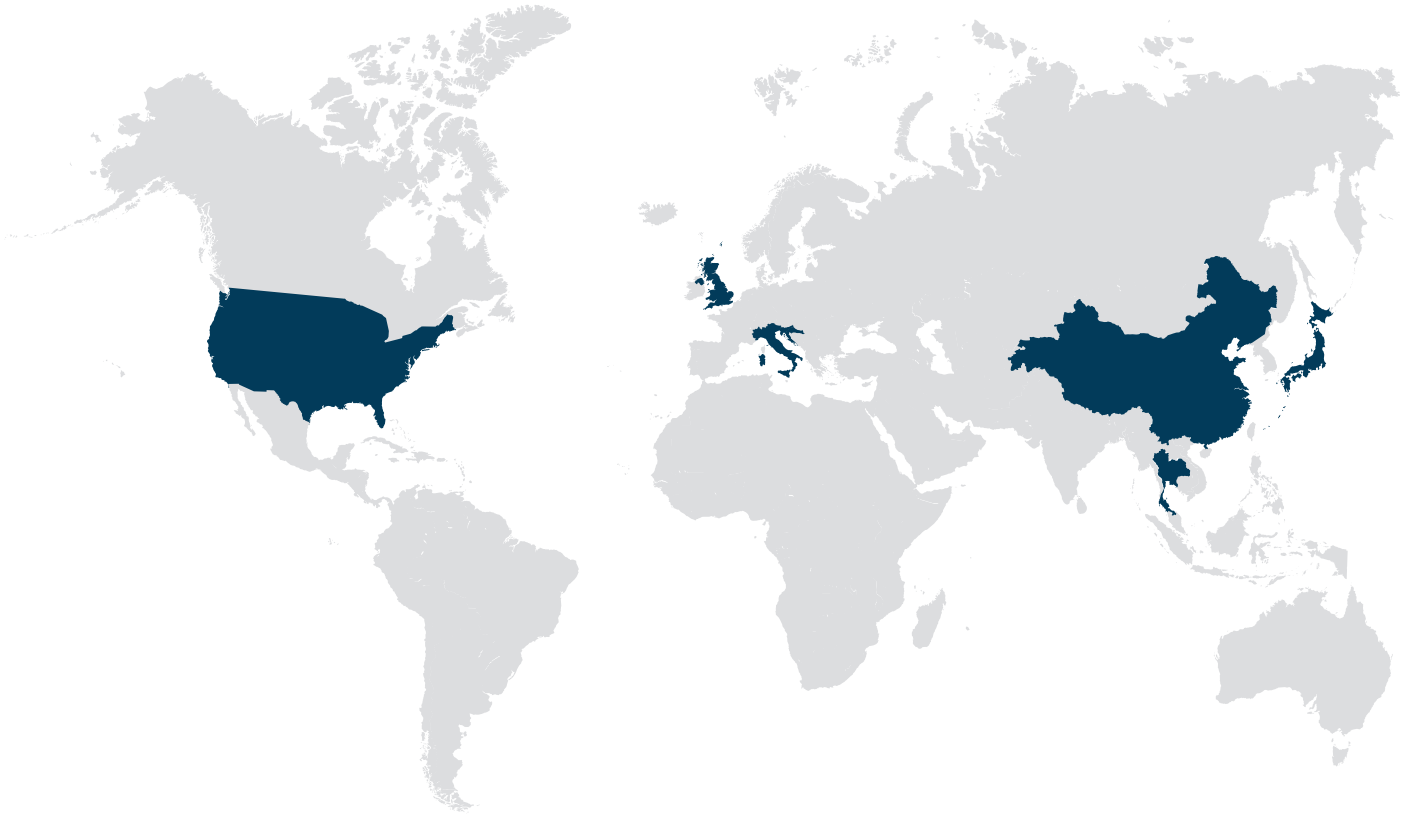
Figure 7– The Group's employees by gender, 2018-2022.



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

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

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



## EUROPE

**739**

ITALY

170

569

**902**

SLOVENIA

183

719

**205**

CROATIA

166

39

**33**

UK

21

12

## AMERICA

**541**

USA

136

405

## ASIA

**303**

CHINA

165

138

**21**

THAILAND

15

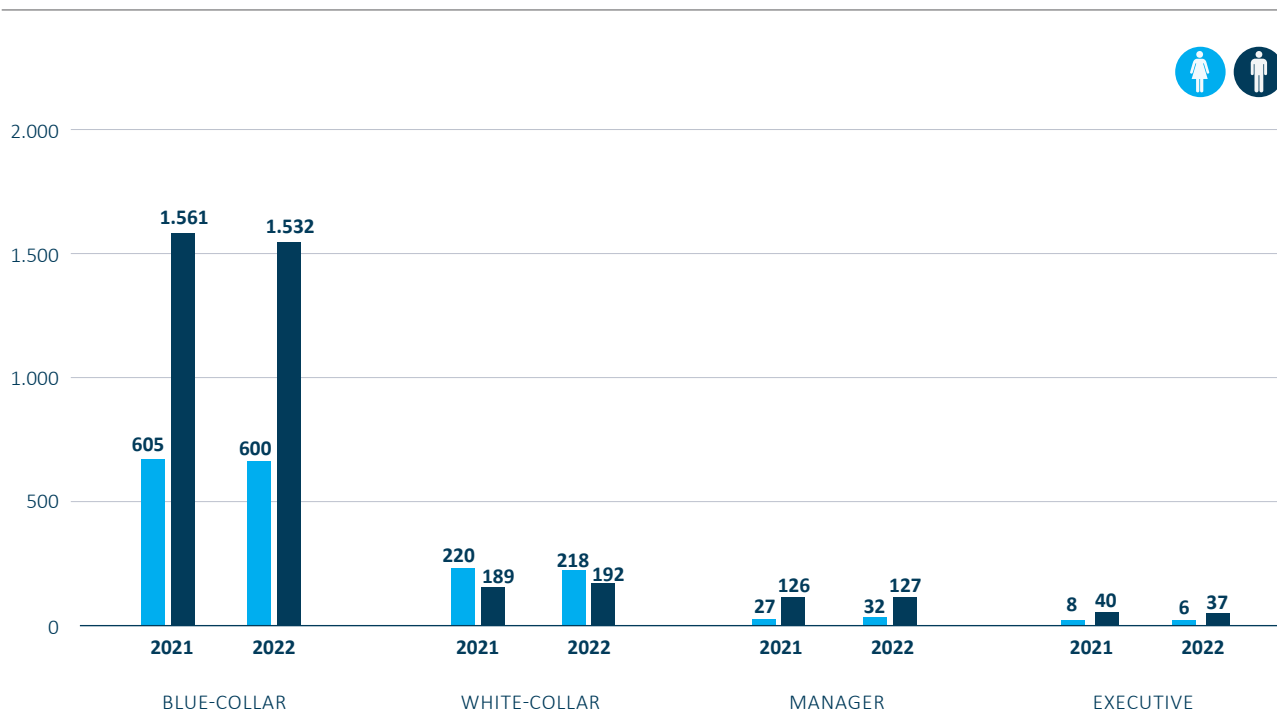
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Figure 9 displays the distribution of employees by their respective roles within the Company. The data reveals that the reduction in personnel has impacted all roles in absolute terms, with the exception of middle management, which has recorded a slight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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

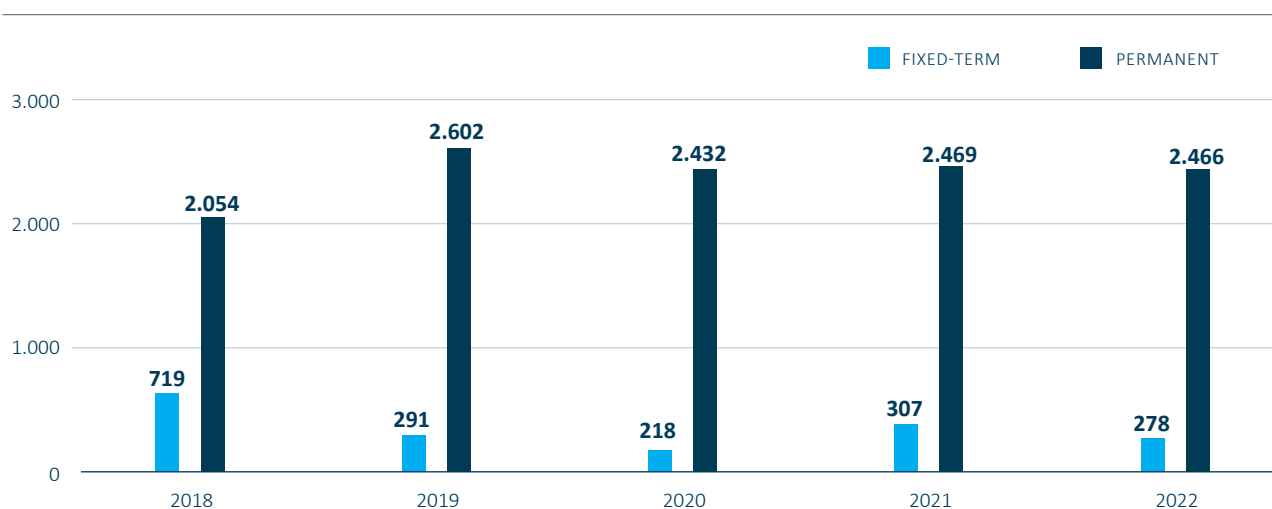


Figure 11 - Group employees in 2022 by contract type and gender.



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

### 2.4.2.3. Training

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

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

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

The main training areas identified are:

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

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

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

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

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

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

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

#### The platforms for skills development

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

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

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

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

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

## Training statistics

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

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

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

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

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

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

<sup>15</sup>Training hours provided in years prior to 2019 are included in the technical area.

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

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

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

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

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

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

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

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

#### **Business climate analysis**

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

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

#### **2.4.2.5. Protection of worker health and safety**

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

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

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

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

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

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

#### **Worker health and safety management system**

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

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

#### **Health and Safety Committees**

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

These committees:

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

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



## Safety figures

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

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

Table 19 shows the frequency<sup>16</sup>, gravity<sup>17</sup> and risk<sup>18</sup> trends from 2018 to 2022. Both employees and workers hired through agencies were included in the total number of hours worked, number of injuries, and related days lost, which contributes to the computation of the indices. This demonstrates Aquafil's commitment to all employees working on Group properties, regardless of the contract in place.

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

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

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

### 2.4.3. Rapporti con gli stakeholder (GRI 2-6:2021; 2-28:2021; 2-29:2021)

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

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

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

<sup>18</sup> The risk index correlates the frequency and severity indices.

### 2.4.3.1. *Supplier selection and engagement*

(GRI 308-1:2016; 414-1:2016; SDGs 5, 8)

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

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

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

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

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

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

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

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

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

#### **ECONYL® Qualified**

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

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

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

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

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

### 2.4.3.2. Customer Relations

(GRI 417-1:2016; SDG 12)

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

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

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

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

#### Born Regenerated to be Regenerable: the carpet of the future

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

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

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

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

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

#### ECONYL® for 3D printing

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

### ECONYL® onair

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

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

### Bluloop SB

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

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

In 2022, the platform was expanded and a new feature was introduced: the direct sale of select ECONYL® items promoted by Aquafil's subsidiary Bluloop. The Noho move™ chair, a sought-after patented design item, and a set of carpets formed from the recovery of a monumental piece of art are offered directly on the platform. The latter is a single 500m<sup>2</sup> carpet created by the Italian artist Stefano Arienti and portraying an ancient map of Europe from the Roman Empire. The artwork decorated the entrance to the Art Verona exhibition event. After the conclusion of the event, the carpet was cut and trimmed into 32 distinct pieces of various sizes and shapes that may be purchased separately. The artworks were made available for online purchase, and the proceeds were donated to Alba Chiara APS, an organisation working in the Arco region to combat violence against women.

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

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

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

#### **Social inclusion projects**

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

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

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

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

## Investing in the generations of tomorrow

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

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

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

In October 2022, AquafilSLO and the Healthy Seas Foundation joined with Ekošola<sup>19</sup>, a well-established international programme providing environmental education, in an effort to increase students' and teachers' knowledge of sustainable development challenges. AquafilSLO and Healthy Seas engaged in the creation of the educational module and workshops dedicated to circularity, which will be implemented in more than 32 schools during 2022-2023, with the prospect of reaching more than 500 students.

## Weaving New Opportunities

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

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

## Alba Chiara APS: responding to the needs of the area

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

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

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

### 1. The use of culture to convey the message:

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

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

<sup>19</sup><https://ekosola.si/>



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

## **2. The response to concrete needs in the area:**

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

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

## **3. Education and dialogue activities for young people:**

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

## **Diversity, inclusion, and assistance for disadvantaged groups**

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

### **AquafilCRO**

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

### **AquafilSLO**

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

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

### **AquafilUSA**

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

### **Aquafil SPA**

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

### Support of local cultural and sports centres

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

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

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

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

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

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

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

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

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

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

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

### Participation in associations

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

#### UN Global Compact<sup>20</sup>:

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

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

**Alliance for the Circular Economy:**

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

**The Ellen MacArthur Foundation:**

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

**Plastics Recyclers Europe:**

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

**SPRING National Circular Bioeconomy Technology Cluster:**

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

**Textile Exchange:**

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

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

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

## 2.5. Environment and circularity

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

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

#### 2.5.1.1. Group certifications

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

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

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

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

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

The following certifications were also retained in 2022:

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

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

### 2.5.1.2. Product certifications

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

#### Management of chemical substances

(GRI 416-1:2016)

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

For this reason, Aquafil has adopted specific guidelines defining the correct control and communication<sup>22</sup> on these aspects, in addition to the presence of an internal working group (sustainability compliance team) specifically dedicated to:

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

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

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

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

#### Recycled content

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

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

<sup>22</sup>[www.aquafil.com/it/ambiente/](http://www.aquafil.com/it/ambiente/)

<sup>23</sup>the following link lists the certifications achieved by Aquafil, including the OEKO-TEX and Material Health Certificates, in addition to the products included: [www.aquafil.com/it/certificazioni/](http://www.aquafil.com/it/certificazioni/)

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

<sup>25</sup>[www.roadmapzero.com/](http://www.roadmapzero.com/)



## Environmental Product Declaration (EPD)

In addition to the previously indicated certifications, Aquafil confirms that the EPD declarations on ECONYL® polymer and clothing yarn are valid in 2022.<sup>26</sup>

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

### 2.5.2. Environmental performance of production processes

#### Materials

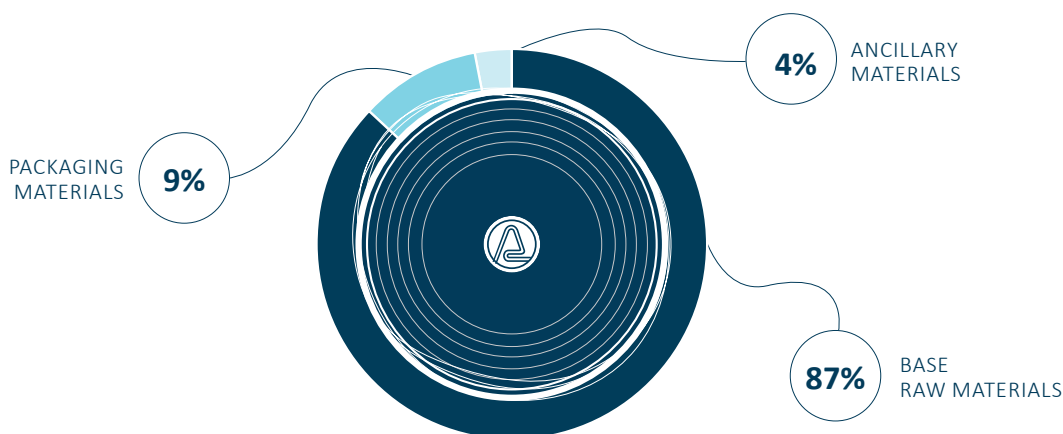
(GRI 301-1:2016; SDGs 8, 12)

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

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

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

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



#### Energy

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

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

<sup>26</sup>The Group’s EPD declarations are available at the following URL: [www.aquafil.com/certifications/](http://www.aquafil.com/certifications/).

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

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

**Table 21 - Energy produced and consumed by the Group in the 2018 - 2022 period<sup>27</sup>**

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

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

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

## Greenhouse gas emissions

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

Monthly GHG emissions are calculated by converting the amounts of energy consumed into carbon dioxide equivalent (CO<sub>2</sub>eq), taking into account the inherent characteristics; for this purpose, within a GHG Risk Management process, the Aquafil Group utilises a specially developed calculation tool, the sustainability web tool, to which all plants have access and which employs specific<sup>29</sup> conversion factors per energy carrier.

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

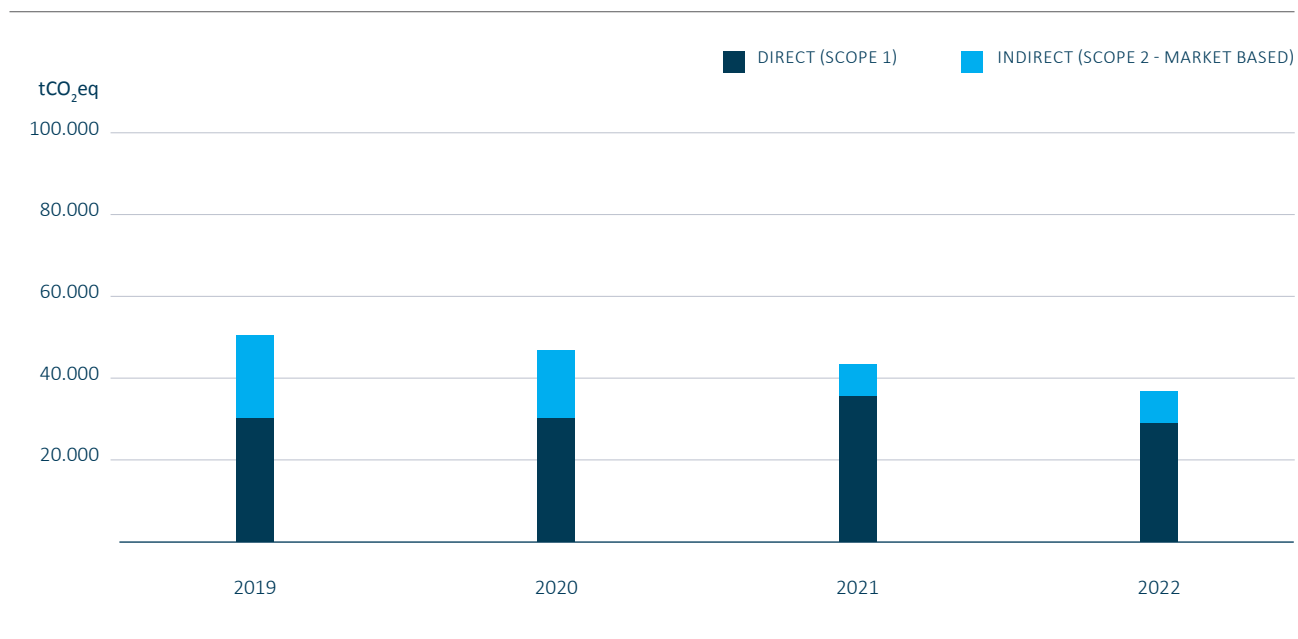
Emissions of greenhouse gases (Figure 13) are typically categorised according to the system given by the GHG Protocol and then separated into Scope 1 and Scope 2 emissions.

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

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

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

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



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

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

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

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

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

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

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

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

### Water withdrawals

(GRI 303-1; 303-3:2018;<sup>32</sup>SDG 6)

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

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

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

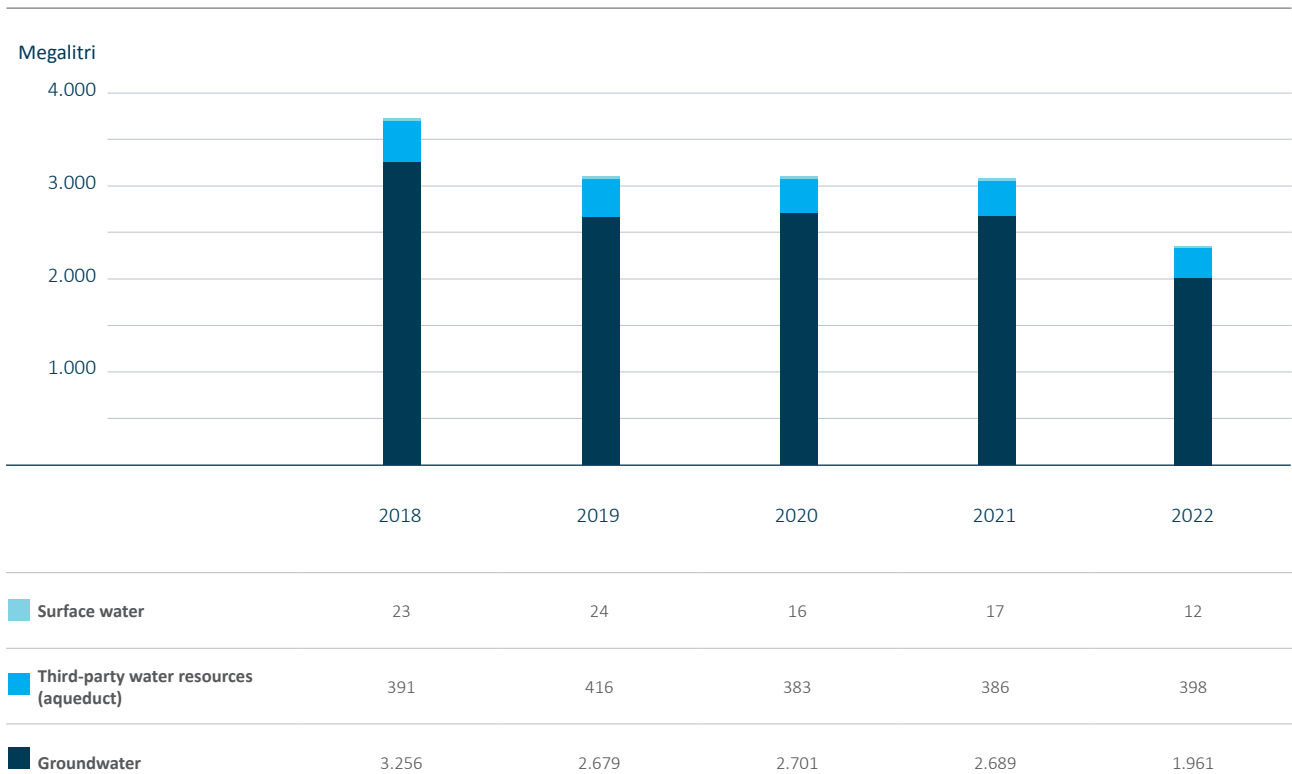
Figure 14 shows the trend for water withdrawals from 2018 to 2022, broken down by type (groundwater, third-party water resources and surface water) measured in megalitres.<sup>33</sup>

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

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

<sup>33</sup>A megalitre is one million litres.

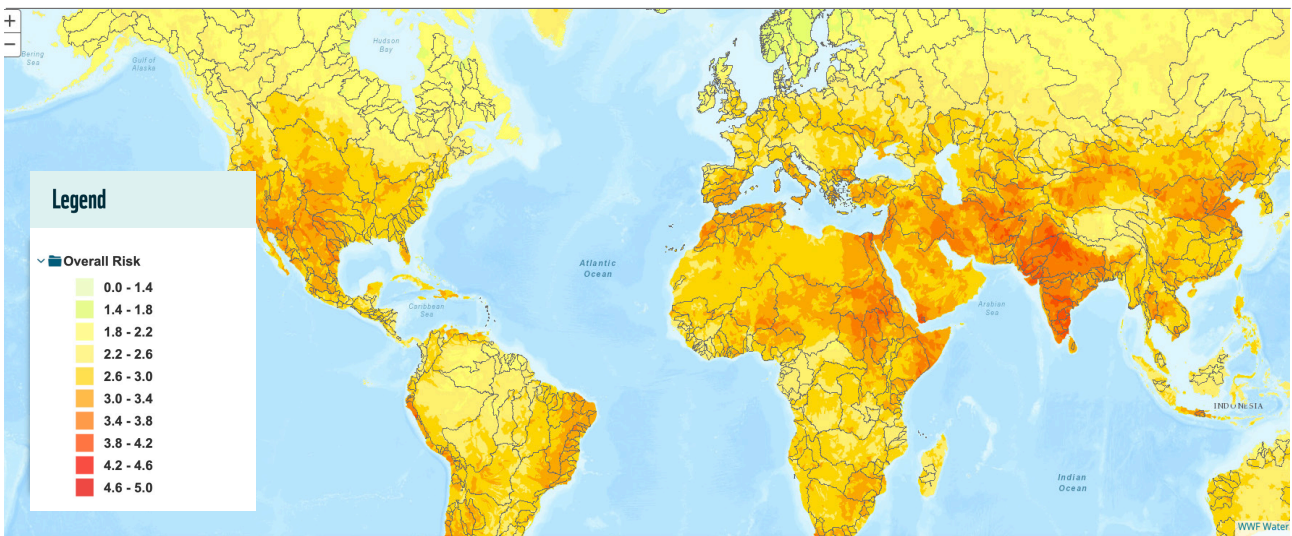
Figure 14 - Water withdrawals by source in the 2018-2022 period



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

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

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



<sup>34</sup>[riskfilter.org/water/explore/map](https://riskfilter.org/water/explore/map)



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

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

## Water discharges

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

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

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

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

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

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

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

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

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

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

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

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

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

## Waste

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

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

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

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

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

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

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

**Table 27 - Waste composition (2022).**

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

### 2.5.3. Product chain environmental performance

#### Life cycle assessment

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

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

The willingness to place environmental sustainability at the centre of its business strategy and the constant search for innovative solutions that can reduce environmental impacts led to the 2011 development of ECONYL® regenerated nylon<sup>36</sup>, which was produced by recovering various types of nylon waste instead of fossil-based raw materials.

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

### The ECONYL® Regeneration System and the circularity of nylon 6

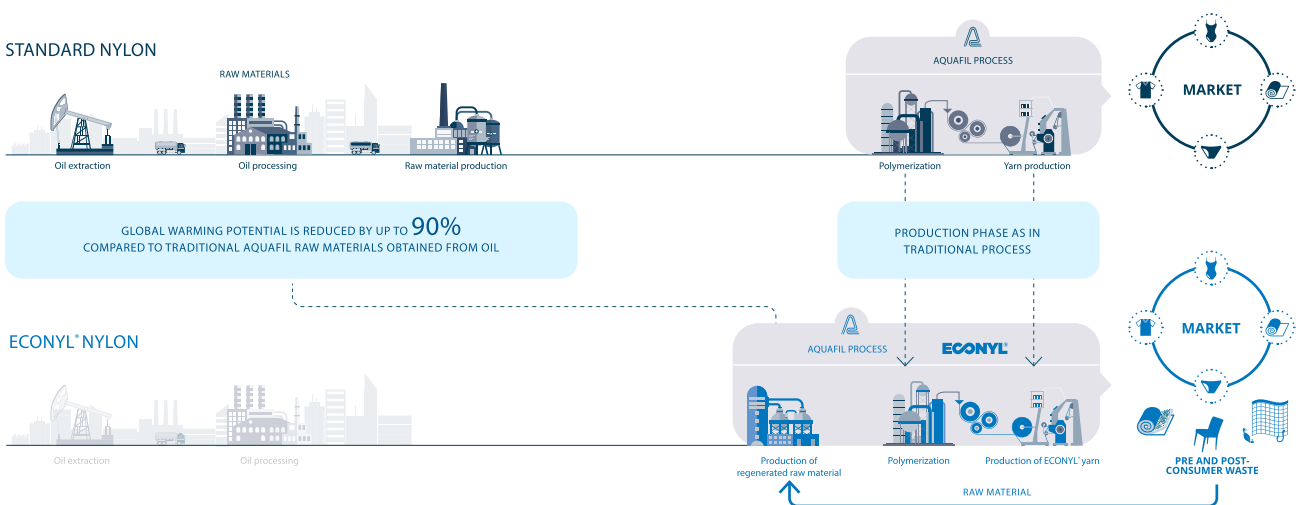
With the launch of the ECONYL® Regeneration System, Aquafil has developed a circular economy model that demonstrates the possibility of producing high-quality goods from secondary raw materials, such as post-consumer waste, i.e. products that have reached the end of their useful life, and pre-consumer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

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

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

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

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



<sup>36</sup> www.econyl.com



### The continuous investment in innovation

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

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

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

### Ecodesign of products

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

### New applications for ECONYL® nylon

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

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

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

### Bio-caprolactam and bio-nylon 6

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

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

### Innovative polymer recycling processes

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

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

## 2.6. Economic performance and value creation

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

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

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

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

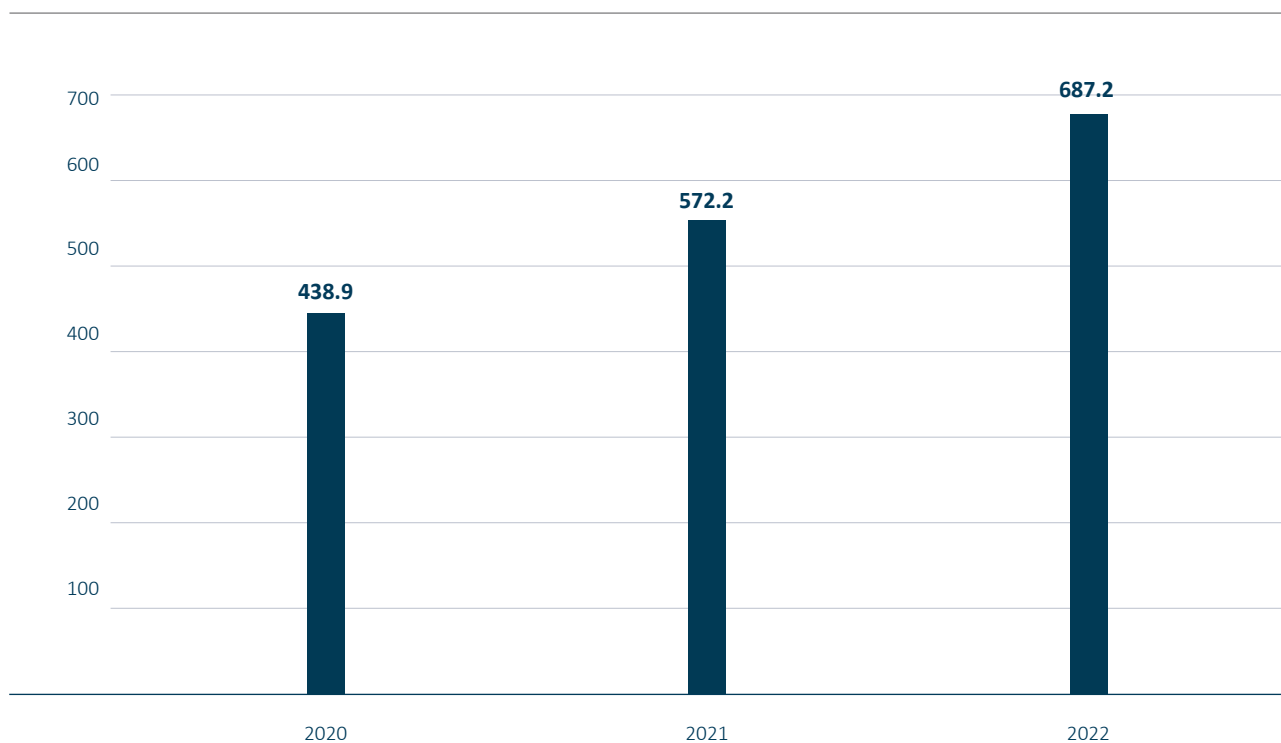


Table 28 shows the economic value generated and distributed by the Group in 2022 and a comparison with previous years; for detailed information and comments on the Group's economic performance, please refer to the dedicated sections of the Directors' Report and the explanatory notes to the consolidated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

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

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

		2022	2021	2020
<b>Directly generated economic value</b>	Net sales	685,743	571,030	437,308
	Revenues from financial investments	1,135	901	1,098
	Sales of goods	350	312	536
	<b>Total revenue<sup>37</sup></b>	<b>687,229</b>	<b>572,243</b>	<b>438,942</b>
<b>Economic value distributed</b>	Suppliers	490,062	398,735	298,107
	Change in inventories	83,565	26,323	-34,011
	Employees	124,779	113,161	102,049
	Providers of capital	7,697	6,877	7,338
	Public administration	9,334	4,474	2,331
	The community	111	51	81
	<b>Total value</b>	<b>715,547</b>	<b>549,622</b>	<b>375,894</b>
<b>Economic value retained</b>	<b>Economic value generated - distributed</b>	<b>-28,319</b>	<b>22,621</b>	<b>63,048</b>

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

### 2.6.1. Tax compliance

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

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

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

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

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

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

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

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

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

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

The following are therefore reported:

- profits and losses before taxation, which varies from country to country, making a comparison between different jurisdictions difficult;
- income taxes, referring to the taxable income of each company;
- income taxes calculated on the basis of profits or losses;
- income taxes paid;
- the tax rates in effect in different jurisdictions where a pre-tax profit is reported<sup>38</sup>

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

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

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

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

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

## 2.6.2. European Taxonomy

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

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

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

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

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

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

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

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

### Assessment of economic activities' compliance with environmental sustainability requirements

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

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

### Economic activities aligned with the Taxonomy

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

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

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

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

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

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



### Substantial contribution - Article 3 of EU Regulation 2020/852

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

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

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

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

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

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

- CLIMATE CHANGE ADAPTATION

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

- SUSTAINABLE USE AND PROTECTION OF WATER AND MARINE RESOURCES

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

- POLLUTION PREVENTION AND CONTROL

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

- PROTECTION AND RESTORATION OF BIODIVERSITY

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

- TRANSITION TO A CIRCULAR ECONOMY

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

### Minimum safeguards - Article 18 of EU Regulation 2020/852

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

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

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

### Human Rights

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

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

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

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

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

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

## Corruption

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

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

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

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

## Taxation

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

## Fair Competition

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

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

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

## Data collection process<sup>41</sup>

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

## Revenues

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

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

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

## Capex

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

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

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

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

## Maintenance Opex

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

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

## R&D Opex

### Research

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

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

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

### Development

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

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

Table 30: Turnover

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

<b>CRITERIA FOR "DO NO SIGNIFICANTLY HARM": does the activity satisfy the DNHS criteria?</b>											
Category (transitional activity/) (21)	Category enabling activity (20)	Share of Turnover aligned with Taxonomy, year 2021 (19)	Share of Turnover aligned with Taxonomy, year 2022 (18)	Minimum Safeguards (17)	Biodiversity and ecosystems (16)	Circular Economy (15)	Pollution (14)	Water and marine resources (13)	Climate Change Adaptation (12)	Climate Change Mitigation (11)	T
	F	%	%	N/Y	N/Y	N/Y	N/Y	N/Y	N/Y	N/Y	T
	-	-	40.00%	Y	Y	Y	Y	Y	Y	Y	T



Table 31: CapEx

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

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

Table 30: OpEx

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

Category (transitional activity) (21)	Category enabling activity (20)	Share of OpEx aligned with Taxonomy, year 2021 (19)	Share of OpEx aligned with Taxonomy, year 2022 (18)	Minimum Safeguards (17)	CRITERIA FOR "DO NO SIGNIFICANTLY HARM": does the activity satisfy the DNHS criteria?					T	
					Biodiversity and ecosystems (16)	Circular Economy (15)	Pollution (14)	Water and marine resources (13)	Climate Change Adaptation (12)		Climate Change Mitigation (11)
				N/Y	N/Y	N/Y	N/Y	N/Y	N/Y	N/Y	
			50%	Y	Y	Y	Y	Y	Y	Y	T

### 3. RISKS RELATED TO NON-FINANCIAL ISSUES

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

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

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

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

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

### 3.1. Employment policies

#### Loss of key figures

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

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

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



### Reduced appeal to potential new talent

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

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

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

### High staff turnover rate

It is long-established that an excessive turnover rate can hinder a company's efficiency and organisational stability. Having to reorganise tasks and roles, and duplicate onboarding processes, increases the risk of negative effects on output quality standards and responsiveness to customer needs.

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

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

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

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

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

To counter this risk, Aquafil periodically provides Code of Conduct training courses to its employees. In addition, a new operational procedure was introduced in 2022 with the specific purpose of verifying, on a periodic basis, the presence of any pending criminal charges which may be faced by Senior Executives.

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

### Failure to respect labour rights

This is a generic risk category that encompasses different situations where workers' rights may be violated, including the right to fair compensation, freedom of expression and association, privacy, and transparency in working conditions. Aquafil takes the necessary measures to obviate this risk, including complying with the requirements of national regulations, its own corporate Code of Conduct and, with regards to its Italian offices, the Organisation and Management Model. Among the tools the Company has to identify situations where violations of rights may occur is the whistleblowing system, which was extended to two additional Group companies in 2022: Aquafil UK and Aquafil China, thus fostering an increasing level of transparency.

### Insufficient workforce availability

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

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

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

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

## 3.2. Worker health and safety

### Failure to comply with health and safety regulations

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

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

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

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

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

## 3.3. Staff training

### Inadequate training programmes

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

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

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

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

### 3.4. Diversity and equal opportunity

#### Failure to comply with relevant regulations

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

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

### 3.5. Protection of human rights

#### Legislative non-compliance

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

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

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

In addition, in 2022, a special procedure for the protection of human rights was drafted, to be approved in March 2023; it states Aquafil's commitment to adhere to the United Nations' Guiding Principles on Human Rights<sup>42</sup> as a reference in carrying out its activities. The adoption of this procedure was accompanied by an amendment to the Code of Conduct, with the goal of aligning and harmonising all the reference standards that form the Group's principles of conduct.

Additional instruments for the protection of human rights include:

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

### 3.6. Social and environmental assessment of suppliers

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

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

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

<sup>42</sup>For more information on the Guiding Principles on Business and Human Rights published in 2011 by the UN, see: [www.ohchr.org/sites/default/files/documents/publications/guidingprinciplesbusinesshr\\_en.pdf](http://www.ohchr.org/sites/default/files/documents/publications/guidingprinciplesbusinesshr_en.pdf)

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

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

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

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

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

### 3.7. Customer health and safety

#### Non-compliance with chemicals legislation

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

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

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

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

### 3.8. Labelling and marketing

#### Failure to communicate with customers

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

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

### 3.9. Customer privacy

#### Inadequate management of IT resources and data security

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

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

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

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

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

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

### 3.10. Customer assessment

#### Customers not meeting reputational, ethical and financial/equity requirements

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

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

### 3.11. Socio-economic compliance

#### Legislative non-compliance with regards to economic and social aspects

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

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

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

### 3.12. Local communities

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

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

### 3.13. Economic performance

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

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

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

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

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

#### Misappropriation or diversion of resources to obtain illicit benefits

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

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

### 3.14. Anti-corruption policies and anti-competitive behaviour

#### Violation of competition rules

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

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

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

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



### 3.15. Environmental aspects

#### Legislative non-compliance on environmental aspects

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

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

#### Inadequate business strategies

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

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

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

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

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

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

#### Inadequate skillsets

(GRI 2-17:2021)

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

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

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

### Climate change

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

The Group's organisational structure has evinced a long-standing interest in the environmental impact of processes and products, and continuously assesses possible avenues for improvement, with an approach firmly focused on sustainability and circularity.

In particular, this structure considers the consequences of climate change for its activities, processes and local organisations, the risk of which is consistently monitored and assessed. It can thus be stated that no significant impacts are currently expected on operating activities in the regions where the Group operates.

## 4. ANNEXES: GRI CONTENT INDEX

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

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

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

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

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



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

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





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# **Aquafil S.p.A.**

## **2022 Corporate Governance and ownership structure report**

**as per Article 123-*bis* of Legislative Decree No. 58/1998**

(traditional administration and control model)

Website: [www.aquafil.com](http://www.aquafil.com)

Reporting year: 2022

Date of approval of Report: March 16, 2023

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## KEY DEFINITIONS

The key definitions utilised in this Report are illustrated below.

<b>Italian Stock Exchange</b>	Borsa Italiana S.p.A., with registered office at Milan, Piazza degli Affari No. 6.
<b>Civil Code</b>	Royal Decree 262 of March 16, 1942, and subsequent amendments and supplements.
<b>Corporate Governance Code or Code</b>	the new Corporate Governance Code of listed companies, in force since January 1, 2021 and adopted by the Corporate Governance Committee and promoted by Borsa Italiana, ABI, Ania, Assogestioni, Assonime and Confindustria, available on the website <a href="http://www.borsaitaliana.it">www.borsaitaliana.it</a> in the <i>Borsa Italiana/ Regulation/Corporate Governance</i> section.
<b>Consob</b>	the National Commission for Companies and the Stock Exchange, with registered office in Rome, Via G.B. Martini No. 3.
<b>Effective Merger Date</b>	December 4, 2017.
<b>Issuer, Aquafil or Company</b>	Aquafil S.p.A., with registered office in Arco (Trento), Via Linfano, No. 9, VAT and Tax No. 09652170961.
<b>Reporting Period</b>	year ended December 31, 2021.
<b>Merger</b>	the merger by incorporation of Aquafil (pre-merger), completed on the Effective Merger Date.
<b>Group or Aquafil Group</b>	Aquafil and the companies within its consolidation scope.
<b>Stock Exchange Instruction Regulation</b>	the Instructions to the Regulation for Markets organised and managed by Borsa Italiana.
<b>Market Warrants</b>	the warrants pursuant to the regulation for “ <i>Aquafil S.p.A. Market Warrants</i> ”.
<b>MIV</b>	the Investment Vehicles Market organised and managed by Borsa Italiana.
<b>MTA</b>	the Italian Stock Exchange organised and managed by Borsa Italiana.
<b>Transaction</b>	the business combination between Space3 and Aquafil (pre-merger), as approved by the Board of Directors of the aforementioned companies on July 15, 2017, undertaken principally through the Merger.
<b>SMEs</b>	small and medium-sized issuers of listed shares pursuant to Article 1, paragraph 1, letter <i>w-quater</i> 1), of the CFA.
<b>Procedure for Related Party Transactions or RPT Procedure</b>	the related party transactions procedure adopted by the Company in compliance with the Consob RPT Regulation.
<b>Stock Exchange Regulation</b>	the regulation for markets organised and managed by Borsa Italiana, and subsequent amendments and supplements.
<b>Issuers’ Regulation</b>	the enacting regulation of the CFA concerning the governance of issuers, adopted by Consob with motion No. 11971 of May 14, 1999 and subsequent amendments and supplements.
<b>Related Parties Regulation or RPT Regulation</b>	the regulation adopted by Consob motion No. 17221 of March 12, 2010 (as subsequently amended and supplemented) in relation to related party transactions.

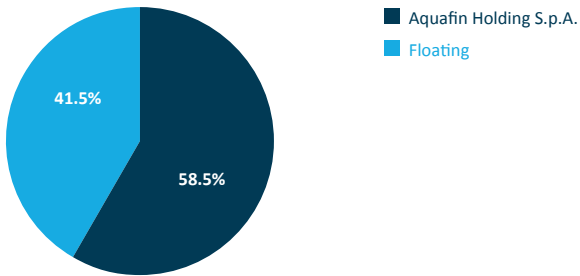


<b>Report</b>	this Corporate Governance and Ownership Structure Report, prepared in accordance with Article 123- <i>bis</i> of the CFA.
<b>Space 3</b>	Space 3 S.p.A.
<b>Space Holding</b>	Space Holding S.r.l., with registered office at Piazza Cavour 1, Milan, promoter of Space 3.
<b>Sponsor Warrant</b>	the warrants pursuant to the regulation for " <i>Aquafil S.p.A. Sponsor Warrants</i> ".
<b>Company By-Laws</b>	the By-Laws of the Company in force at the Reporting date.
<b>CFA</b>	Legislative Decree No. 58 of February 24, 1998, as subsequently amended and supplemented.

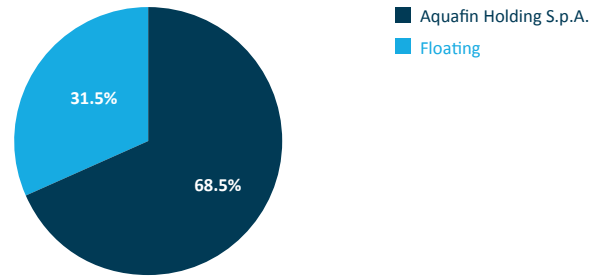
## EXECUTIVE SUMMARY

### AQUAFIL SHAREHOLDING STRUCTURE

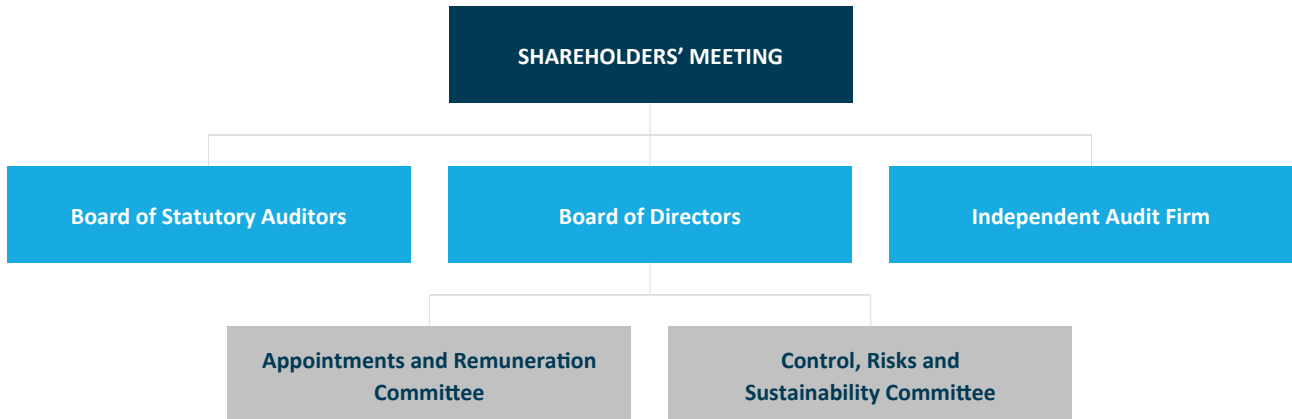
#### Ordinary capital



#### Voting capital

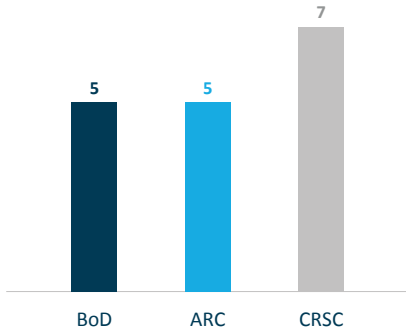


### CORPORATE GOVERNANCE

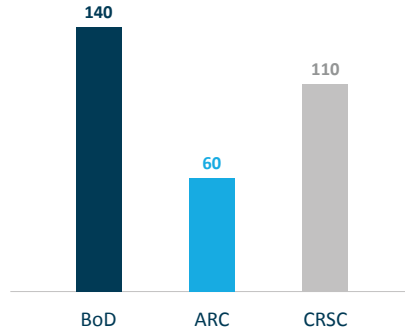


## COMMITTEE MEETING IN 2022

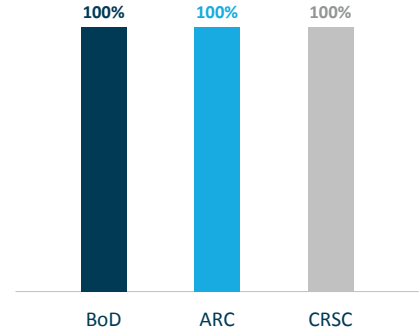
### Number of meetings



### Average meeting duration (minutes)



### Average meeting attendance (%)



■ BoD: Board of Directors

■ ARC: Appointments and Remuneration Committee

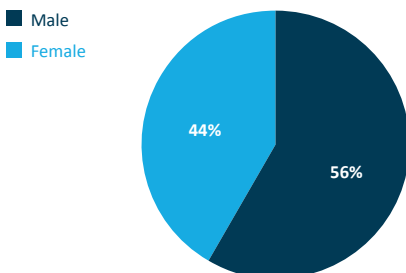
■ CRSC: Control, Risks and Sustainability Committee

## ANNUAL BOARD EVALUATION PROCESS

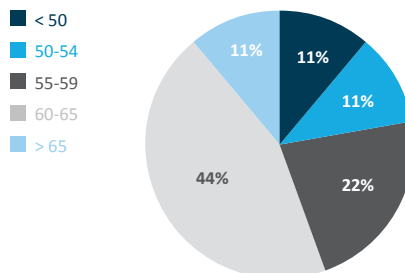
Board evaluation process carried out	Yes
Evaluating body	Self-evaluation with the support of an independent expert
Means of self-evaluation	Questionnaire and individual interviews

## DIVERSITY ON THE BOARD OF DIRECTORS

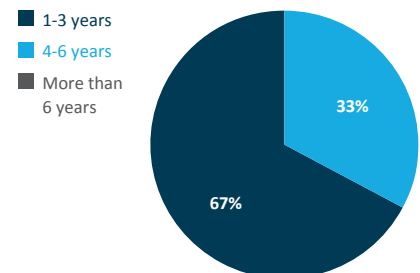
### Gender diversity



### Age diversity



### Tenure diversity



## SUMMARY OF ACTIVITIES RELATING TO THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

In 2020, the Company began an **Enterprise Risk Assessment (ERA)** profiling, coordinated by the Internal Audit Function, to assess the effectiveness of the Internal Control and Risk Management System (ICRMS) on three aspects: **financial, operational, and compliance**. A “processes/controls” matrix was created and used to map the processes and related controls introduced by the Company, identifying risks and safeguards. The final phase of the project saw the definition, for each process of (i) metrics and impact indicators, (ii) a probability/frequency assessment, (iii) assessment of control measures, and (iv) a remediation strategy based on the risk priority number.

In 2022, **activities to strengthen the ICRMS** continued through:

- improvement of internal procedures, mainly in relation to the sales process, the supply chain and verification of criminal charges pending for senior figures;
- the issue of the Business Continuity Plan (BCP) document;
- the identification of corrective action, follow-up and reporting;
- the definition of Minimum Control Standards for warehouse, investment and purchasing processes, which were shared with all Group Companies;
- as per the Executive Officer for Financial Reporting’s work plan, activities to update the scope of 262 Model coverage, effectiveness testing on the occasion of the Half-Year Financial Report and the Annual and Consolidated Financial Statements, and training and awareness-raising activities for the structures when carrying out these activities.

## SUSTAINABILITY GOVERNANCE

**Sustainability** is a key element of Aquafil’s business strategy, and is deeply integrated with its internal strategy and processes.

As part of the sustainability governance organisational measures introduced by Aquafil, in 2018 the **Sustainability Steering Committee** was set up to guide the structured development of corporate sustainability policies consistent with the sustainability plan and principles stated in THE ECO PLEDGE, ensuring that progress is monitored. The Committee oversees three main areas of sustainability: **environmental, social, and economic** aspects, through projects and initiatives that may involve the various parts of the Company.

Since 2020, sustainability issues within the Board of Directors have been overseen by the **Control, Risks and Sustainability Committee**. The Sustainability Steering Committee periodically reports to the **Control, Risks and Sustainability Committee** and the **Board of Directors** on the progress of the sustainability plan and any ongoing projects, presenting results, critical issues and any requests to begin new initiatives.

To reinforce the progress towards **generating shared value**, the Group has aligned its **2023 Remuneration Policy** with its sustainability strategy, including the **main objectives of the Sustainability Plan** within the **short-term and long-term variable incentive system** and assigning them a significant weighting (25%) within the total bonus (for further details, please see the Remuneration Report).

## 1. COMPANY PROFILE AND GOVERNANCE SYSTEM

For more than 50 years, Aquafil has been a leading Italian and global producer of synthetic fibres, and particularly of polyamide 6 fibres.

The Group sets benchmarks in terms of quality, innovation and new sustainable development models. It is considered a strategic choice in view of the focus on continual process and product development, delivered through ongoing capital and know-how investment.

The Group has more than 2,800 employees and 20 sites in Europe, the United States and Asia.

Aquafil's Corporate Governance system, i.e. the set of rules and conduct adopted for streamlined and transparent corporate board and control systems, in accordance with the regulatory provisions for Italian listed companies and based on the Self-Governance Code's principles and recommended application criteria. The Company also voted on February 17, 2021 to adopt the Corporate Governance Code, which was approved by the Corporate Governance Committee and is effective for the year beginning January 1, 2021.

As an Italian-registered company with shares traded on the STAR segment of the Italian Stock Exchange and compliant with the Code, Aquafil's corporate governance structure — based on the traditional organisational model — is composed of the following bodies: the Shareholders' Meeting; the Board of Directors, also operating through the Chief Executive Officer and the Executive Directors; the Board of Statutory Auditors; the Control, Risks and Sustainability Committee; the Appointments and Remuneration Committee; the Supervisory Board; the independent audit firm.

The Shareholders' Meeting is the body whose motions express the shareholders wishes. The motions passed in compliance with law and the By-Laws bind all shareholders, including those absent or dissenting, although these latter have the right to withdrawal in permitted cases. The Shareholders' Meeting is called in accordance with law and the regulations for companies with listed shares to resolve upon the matters reserved to it by law.

The Board of Directors sets out the company and Group strategic guidelines and is responsible for management oversight. It is therefore granted the widest powers of company administration considered appropriate in pursuit of the Company's aims and objectives, with the sole exclusion, obviously, of those expressly reserved by law for the Shareholders' Meeting.

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

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

The statutory audit is not within the Committee's scope, as assigned in accordance with law to an independent audit firm chosen by the Shareholders' Meeting.

The independent audit firm oversees the correct keeping of the accounting records and the reporting of operating events, while ensuring that the separate and consolidated financial statements are consistent with the accounting records and audits carried out and are compliant with applicable provisions. It may perform additional services assigned by the Board of Directors, where not incompatible with the statutory audit assignment.

The Supervisory Board completes the governance structure, with the Company having adopted a Code of Conduct and an Organisation, Management and Control Model as per Article 6 of Legislative Decree No. 231/2001 and subsequent, applying the relative structure of powers and duties.

This Report, approved by the Board of Directors on March 16, 2023, provides a comprehensive overview on the Issuer's corporate governance and ownership structure at December 31, 2022, pursuant to Article 123-*bis* of the CFA and in light of the Self-Governance Code's provisions, as well as the "Format for the report on corporate government and ownership structure" document (VII Edition, January 2019) prepared by Borsa Italiana.

With particular reference to the recommendations made in the Letter from the Chairperson of the Corporate Governance Committee of December 2021, and also in light of the new provisions of the Code, we note that the Company qualifies as a **concentrated and not large company**, although it is deemed appropriate to maintain the governance structures introduced to date, without simplification.

This Report, which forms an integral part of the Directors' Report, and the By-Laws, are available on the company website ([www.aquafil.com](http://www.aquafil.com) in the *Corporate Governance* section).

## 2. DISCLOSURES ON SHAREHOLDERS (AS PER ARTICLE 123-BIS, PARAGRAPH 1 OF THE CONSOLIDATED FINANCE ACT)

### 2.1 Share capital structure (as per Article 123-*bis*, paragraph 1, letter a), CFA)

#### 2.1.1 Share capital and shares of the Company

At the Reporting date, the subscribed and paid-in share capital of Aquafil amounts to Euro 49,722,417.28, comprising 51,218,794 shares divided into 42,902,774 ordinary shares, 8,316,020 special B shares (B Shares) and 0 special C shares (C Shares), all without nominal value.

Specifically, Aquafil's share capital is broken down as follows:

	No. of shares	% of share capital	Listed (with market indicated)/ not listed	Rights and obligations
Ordinary Shares ISIN Code IT0005241192	42,902,774		MTA, STAR Segment	The shares are indivisible and each share shall entitle the holder to one vote. Those in possession of shares may exercise their shareholder and equity rights in compliance with the limits established by statutory regulations and the By-Laws
Multi-votes shares ( <b>B Shares</b> ) ISIN Code IT0005285330	8,316,020		<i>Non-listed</i>	Assign the rights as per Article 5 of the By-Laws, including the right to three votes per share at Shareholders' Meetings
Shares without voting rights ( <b>C Shares</b> ) ISIN Code IT0005241747	0		<i>Non-listed</i>	Assign the rights as per Article 5 of the By-Laws
Other				

Taking account of the share's value at December 31, 2022 and the number of shares at that date, the capitalisation was Euro 314,483,395.16.

The ordinary shares, the B Shares and the C shares are subject to the dematerialisation rules pursuant to Article 83-*bis* and thereafter of the CFA.

The ordinary shares are to bearer, indivisible, freely transferable and confer to the owners equal rights. In particular, each ordinary share attributes the right to one vote at the Ordinary and Extraordinary Shareholders' Meeting of the Company, as well as additional equity and administrative rights pursuant to the By-Laws and statutory law.

In accordance with Article 5.4 of the By-Laws, the B shares attribute the same rights as the ordinary shares, with the exception of:

- a. each B Share confers the right to three votes pursuant to Article 127-*sexies* of the CFA at all Shareholders' Meetings of the Company, subject to any statutory limitation;



- b. they automatically convert into ordinary shares, based on one ordinary share for each B Share (without requiring a motion of the B Shares special shareholders' meeting or of the Shareholders' Meeting of the Company) in the event of: (i) transfer to parties who are not already holders of B Shares, except where the transferee is a parent, is controlled by or under common control of the transferor and, provided that, in this case, where the transferee loses the status of parent, control by or under the common control of the transferor, all the B Shares held by them are automatically converted into ordinary shares, based on one ordinary share for every B Share; (ii) in the case in which the holder of the B Shares ceases to be controlled, directly or indirectly, by (a) Giulio Bonazzi; (b) Roberta Previdi; (c) Silvana Bonazzi; (d) Francesco Bonazzi and/or (e) one or more direct line successors upon death of both (and not only one of) Giulio Bonazzi and Roberta Previdi, each of which, exclusively or jointly to one or more of the other aforementioned parties;
- c. they may be converted, in all or in part and also in several tranches, into ordinary shares on the simple request of the owner, to be sent to the Chairperson of the Board of Directors of Aquafil and in copy to the Chairperson of the Board of Statutory Auditors, also based on one ordinary share for every B Share.

The conversion is ratified by the Board of Directors by statutory majority. In the event of omission by the Board of Directors, the conversion is ratified by the Board of Statutory Auditors with the approval of a majority of those present.

Ordinary shares may not be converted into B Shares.

In accordance with Article 5.5 of the By-Laws, the C Shares attribute the same rights as the ordinary shares, with the exception of:

- i. they are without voting rights at the Ordinary and Extraordinary Shareholders' Meetings of the Company;
- ii. they are excluded from the right to receive the profits which the Company resolves to distribute by way of ordinary dividend;
- iii. they are non-transferable until April 5, 2022, except for: (a) the transfer of the special shares to withdrawing shareholders of Space Holding, on the completion of the liquidation of their holding in kind; and (b) the assignment of the special shares to the beneficiary company of a proportional spin-off of Space Holding for, among other matters, the investment of Space Holding in the Company;
- iv. they attributed the right at the time of issue to the allocation of "Space 3 S.p.A. Sponsor Warrants" (now called "Aquafil S.p.A. Sponsor Warrants") in the ratio of 2 warrants for every C Share;
- v. they are automatically converted into ordinary shares, in the ratio of 4.5 ordinary shares for every C Share, without the need for holders to request such and without amending the share capital, notwithstanding that this conversion will reduce the implied par value of the ordinary shares within 60 months from the Effective Merger Date in the amount of 80,000 C Shares in the case in which the official ordinary share price, for at least 20 days, even non-consecutively, out of 30 open consecutive trading days, is higher or equal to Euro 13 per ordinary share, subject to the fact that the period for the recording of the official ordinary share price for the triggering of this conversion event runs between the Space 3 Shareholders' Meeting date approving the Merger and the completion of 60 months from the Effective Merger Date. Where this period of 60 months is completed without conversion, all C Shares will automatically convert into 1 ordinary share, without amending the share capital.

The Company may issue B Shares limited to the following cases: (a) share capital increases pursuant to Article 2442 of the Civil Code or through new conferment without exclusion or limitation of the option right, in any case together with ordinary shares; and (b) mergers or spin-offs. Under no circumstances can the Company proceed with the issue of new C Shares.

In the event of a share capital increase to be carried out through the issue of ordinary shares, all shareholders will have the right to subscribe to the newly-issued ordinary shares (unless the option right is excluded in accordance with law or there is no entitlement) in proportion and in relation to the shares — including ordinary shares, B Shares or C Shares — held by each at the time of execution of the share capital increase. In such an event, the passing of the relative motion pursuant to Article 2376 of the Civil Code by the special Shareholders' Meeting of the B Shares is not required, or of the C Shares special Shareholders' Meeting.

In the event of a share capital increase through the issue of ordinary shares and B Shares: (i) the number of newly issued ordinary shares and B Shares must be proportional to the number of ordinary shares and B Shares in which the share capital is divided on the date of the relevant motion specifying that, to this end, existing C Shares will be counted as an equal number as ordinary shares; (ii) holders of C Shares may subscribe to ordinary shares according to the portion of the share capital represented by ordinary shares and C Shares held at the time of the share capital increase and (iii) newly issued ordinary shares and B Shares must be offered to the individual shareholder in relation to and in proportion to, respectively, the ordinary shares and B Shares held at the time of the share capital increase, specifying that: (a) existing C Shares, for this purpose, will be counted as an equal number as ordinary shares; and (b)

B Shares may only be subscribed to by shareholders who are already holders of B Shares; in the absence of subscription to newly issued B Shares by shareholders who are already holders of B Shares, the B Shares will automatically be converted into ordinary shares at the ratio of one ordinary share for every B Share and will be offered to other shareholders as provided by law.

Where the Company participates in a merger by incorporation as the incorporating company or in a merger, the holders of the B Shares will have the right to receive, within the share swap ratio, shares with the same characteristics - in relation to the multi-voting rights – as the B Shares, in accordance with applicable legal provisions.

At the Reporting date, the Company had adopted the remuneration plan for Directors and Employees of the Group described in the Remuneration Report prepared in accordance with Article 123-ter of the CFA and Article 84-quater of the Issuers’ Regulation, as well as the disclosure document prepared pursuant to Article 114-bis of the CFA and Article 84-bis of the Issuers’ Regulation and the relative illustrative report prepared in accordance with Article 114-bis of the CFA, available on the Company website [www.aquafil.com](http://www.aquafil.com) in the *Corporate Governance* section.

## 2.1.2 Warrants

At the Reporting date, the following financial instruments that grant the right to subscribe newly issued Aquafil ordinary shares had been issued.

	Listed (with market indicated)/not listed	No. of instruments outstanding	Class of shares for conversion/ exercise	No. of shares for the conversion/ exercise
<i>“Aquafil S.p.A. Sponsor Warrants”</i> ISIN Code IT0005241754	Non-listed	800,000	Ordinary Shares	800,000

On December 23, 2016, the Extraordinary Shareholders’ Meeting of Space 3 pre-merger - among other matters - approved:

- the divisible paid-in share capital increase for a maximum amount, including share premium, of Euro 10,400,000, to be reserved for the exercise of 800,000 *“Aquafil S.p.A. Sponsor Warrants”*, through the issue of a maximum 800,000 ordinary shares, without nominal value, at a price of Euro 13.00, through the allocation of Euro 1.00 as the implied par value and Euro 12.00 as the share premium.

As the Reporting date, Space Holding holds all of the *“Aquafil S.p.A. Sponsor Warrants”* (i.e. 800,000). The *“Aquafil S.p.A. Sponsor Warrants”* are exercisable, at the terms and conditions of the Sponsor Warrants Regulation, in the period between the first market trading day after December 4, 2017 (the Effective Merger Date) and the tenth anniversary of that date.

The *Aquafil S.p.A. Sponsor Warrants* are not listed on any regulated market.

The Sponsor Warrants Regulation is available to the public on the company website [www.aquafil.com](http://www.aquafil.com) in the Investor Relations/ Shareholder Information section.

## 2.2 Restriction on the transfer of shares (as per Article 123-bis, paragraph 1, letter b), CFA)

At the Reporting date, there are no restrictions on the transfer of the ordinary shares of the Company, subject to that illustrated below.

It should be noted that Space Holding has undertaken a lock-up commitment towards the Issuer with reference to the Aquafil ordinary shares arising from the conversion of special Space3 shares as part of the Merger, with reference to the Aquafil ordinary shares arising from the conversion of the C Shares upon the occurrence of the other events indicated in Article 5.5 of the By-Laws; the lock-up commitment will have a duration of 6 months from the relevant conversion.

There are no limits to holding shares of the Company, nor any clauses to restrict becoming a shareholder.

## 2.3 Significant holdings (as per Article 123-bis, paragraph 1, letter c), CFA)

The ordinary shares of the Company are traded within the management system authorised pursuant to the CFA.

At the Reporting date, the Company is an SME; therefore, pursuant to Article 120, paragraph 2 of the CFA, the significance threshold for the purposes of the communication obligations of significant shareholdings is equal to 5% of the voting share capital.

Based on the information available, the following table reports the data regarding the shareholders which, at the date of this Report, have holdings of above 5% of the voting share capital of the Issuer, directly or indirectly, including through nominees, trusts and subsidiaries.

### SIGNIFICANT SHAREHOLDINGS

Shareholder	Direct shareholder	% of ordinary share capital	% of voting share capital
GB&P S.r.l.	Aquafin Holding S.p.A.	58.50%	68.52%

## 2.4 Shares which confer special rights (as per Article 123-bis, paragraph 1, letter d), CFA)

There are no securities which confer special control rights or securities with special powers pursuant to the regulations and statutory provisions, except for that outlined below.

Each B Share has the right to three votes pursuant to Article 127-*sexies* of the CFA at all Shareholders' Meetings of the Company, subject to any legal limitations and confer all rights and obligations indicated at paragraph 2.1.1 of this Report.

The By-Laws do not contain provisions upon multi-vote shares in accordance with Article 127-*quinquies* of the CFA.

## 2.5 Employee shareholdings: method for the exercise of voting rights (as per Article 123-bis, paragraph 1, letter e), of the CFA)

At the Reporting date, there were no share ownership systems for Directors and employees as described in the Remuneration Report prepared in accordance with Article 123-*ter* of the CFA and Article 84-*quater* of the Issuers' Regulation, as well as the disclosure document prepared pursuant to Article 114-*bis* of the CFA and Article 84-*bis* of the Issuers' Regulation and the relative illustrative report prepared in accordance with Article 114-*bis* of the CFA, available on the company website [www.aquafil.com](http://www.aquafil.com) in the *Investor Relations* Section.

## 2.6 Voting restrictions (as per Article 123-bis, paragraph 1, letter f), CFA)

There are no restrictions on voting rights for holders of ordinary shares and/or B Shares. For completeness, the C Shares are without voting rights at the Ordinary and Extraordinary Shareholders' Meetings of the Company;

## 2.7 Shareholder agreements (as per Article 123-bis, paragraph 1, letter g), CFA)

As at the date of this Report, and subject to the unilateral commitment of Space Holding as described in point 2.2 above, there are no significant shareholders' agreements pursuant to Article 122, paragraph 5 of the CFA.

## 2.8 Change of control clauses (as per Article 123-bis, paragraph 1, letter h), of the cfa) and statutory provisions on public purchase offers (as per Article 104, paragraph 1-ter and 104-bis, paragraph 1, of the CFA)

With regards to the agreements which may be voided in the case of a change in control of Aquafil S.p.A., we report the following.

### Loan contracts

Aquafil loans in place at the Reporting date are shown in the table below:

(in Euro thousands)	Original amount	Granting date	Maturity date
<b>Medium/long-term fixed-rate bank loans</b>			
Cassa Centrale Banca - Credito Cooperativo del Nord Est (ex Casse rurali trentine) (*)	15.000	2019	2026
Cassa Centrale Banca (*)	11.000	2022	2029
Credito Valtellinese (*)	15.000	2018	2024
Mediocredito Trentino Alto Adige	3.000	2022	2026
Cassa Depositi e Prestiti (*)	20.000	2020	2027
<b>Total medium/long-term fixed-rate bank loans</b>			
<b>Medium/long-term variable-rate bank loans</b>			
Deutsche Bank (*)	5.000	2018	2024
Deutsche Bank (*)	20.000	2022	2028
Cassa Risparmio di Bolzano (*)	20.000	2018	2025
Cassa Risparmio di Bolzano (*)	10.000	2022	2028
Banca Intesa (*) (**)	15.000	2018	2024
Banca Intesa (*) (**)	30.000	2021	2027
Banca di Verona	3.500	2016	2023
Banca di Verona	15.000	2017	2024
Banca di Verona	3.000	2019	2024
Banca di Verona	5.000	2022	2027
Credito Valtellinese	3.000	2017	2023
Cassa Rurale Raiffeisen Alto Adige	3.000	2017	2023
Banca Popolare di Milano (*) (**)	25.000	2018	2025
Banca Popolare di Milano (*) (**)	15.000	2019	2025
Banca Popolare Emilia Romagna (*) (**)	10.000	2019	2025
Banca Nazionale del Lavoro (*)	7.500	2018	2025
Banca Nazionale del Lavoro (*)	12.500	2018	2025
Banca Nazionale del Lavoro (*)	20.000	2022	2027
Banca Popolare di Sondrio	5.000	2017	2023
Credit Agricole Friuladria (ex Banca Popolare Friuladria) (*) (**)	10.000	2017	2025
Credit Agricole Friuladria (ex Banca Popolare Friuladria) (*) (**)	10.000	2019	2025
Monte dei Paschi (*)	15.000	2018	2025
Crediti Emiliano	5.000	2022	2027
Banca del Mezzogiorno (*) (**)	10.000	2019	2026
Cassa Depositi e Prestiti (*)	20.000	2022	2027
Credito Valtellinese (*)	5.000	2020	2025

(\*) Loans that provide for compliance with financial covenants.

(\*\*) Loan to which an interest rate swap contract is linked under which interest to be paid to the bank is fixed and equal to the value shown in the table.

In addition, at the Reporting date, the Company had issued two bonds:

- for Euro 50 million with maturity on September 20, 2028.
- for Euro 40 million with maturity on May 24, 2029.

The main objectives of these contracts is to fund the Company's investment plan, having the right to rescission where changes occur with regard to the direct or indirect control of Aquafil in accordance with Article 2359 of the Civil Code.

### Contracts and Agreements

Within the scope of some contracts and commercial agreements signed by Aquafil, communication obligations in the case of a change in control are applicable; the Company has also signed agreements in which the change of control clause may result in resolution.

These agreements, overall not significant in terms of company and Group operations, are subject to confidentiality restrictions.

#### Public Purchase Offer

The Company By-Laws do not provide for exceptions to the passivity rule pursuant to Article 104, paragraphs 1 and 2 of the CFA, nor the application of the neutralisation rules pursuant to Article 104-bis, paragraphs 2 and 3 of the CFA.

## 2.9 Power to increase the share capital and authorisation to purchase treasury shares (as per Article 123-bis, paragraph 1, letter m), CFA)

### 2.9.2 Share capital increases

The By-Laws do not specifically assign to the Board of Directors the power to increase the share capital. The Issuers' Extraordinary Shareholders' Meeting of December 23, 2016 approved:

- the divisible paid-in share capital increase for a maximum amount, including share premium, of Euro 10,400,000, to be reserved for the exercise of 800,000 "Aquafil S.p.A. Sponsor Warrants", through the issue of a maximum 800,000 ordinary shares, without nominal value, at a price of Euro 13.00, through the allocation of Euro 1.00 as the implied par value and Euro 12.00 as the share premium.

The Board of Directors has not been granted the power by the Shareholders' Meeting to increase the share capital in accordance with Article 2443 of the Civil Code, nor to issue equity financial instruments.

### 2.9.2 Treasury shares

At the Reporting date, the Company does not have treasury shares in portfolio.

## 2.10 Management and co-ordination activities (as per Article 2497 and thereafter of the civil code)

The Company is not subject to management and co-ordination pursuant to Article 2497 and subsequent of the Civil Code.

The parent company Aquafin Holding S.p.A. does not exercise management and co-ordination over Aquafil as substantially operating as a holding company, without an independent organisational structure and, consequently, de facto does not exercise direct management over Aquafil. In addition, we report that: (i) the Board of Directors of the Company approves the budget and the business plan; (ii) the Company has independent negotiating powers with customers and suppliers; and (iii) a centralised treasury agreement between the Company and the companies within the chain of control is not in place.

All of the Italian direct or indirect subsidiaries of Aquafil have met the publication requirements under Article 2497-bis of the Civil Code, indicating Aquafil as the company exercising management and co-ordination.

\* \* \*

*The information required by Article 123-bis, paragraph 1, letter i) of the CFA ("the agreements between the Company and Directors... which provide indemnity in the case of resignation or dismissal from office without just cause or termination of employment following a public tender offer") is illustrated in the Remuneration Report, drawn up as per Article 123-ter of the CFA and Article 84-quater of the Issuers' Regulation, available in accordance with the provisions of law on the website of the Company [www.aquafil.com](http://www.aquafil.com).*

*The information required by Article 123-bis, paragraph 1, letter l) of the CFA relating to the "applicable regulations concerning the appointment and replacement of Directors (...), in addition to the amendment of the By-Laws if differing from applicable law and regulations" is illustrated in the Board of Directors section.*

### **3. COMPLIANCE (AS PER ARTICLE 123-BIS, PARAGRAPH 2, LETTER A), CFA)**

This Report reflects and illustrates the corporate governance structure applied by the Company in accordance with the provisions of the Code, with which the Company complies.

The Board of Directors is always open to assessing new guidelines presented in the Code and their incorporation into the Company's corporate governance system, as long as compatible with the Company's situation and that the recommendations further improve the Company's reliability in the eyes of investors.

Aquafil S.p.A. and its strategic subsidiaries - as identified by the Board of Directors' motion of February 14, 2020, namely Aquafil USA, Aquafil SLO doo and Aquafil Synthetic Fibres and Polymers (Jiaying) Co., Ltd, to the best of the Board's knowledge, are not subject to any non-Italian legal provisions that affect the Company's corporate governance structure.

### **4. BOARD OF DIRECTORS**

In accordance with current regulations for companies with listed shares on regulated markets, the Board of Directors is central to the governance system of the Company.

#### **4.1 Appointment and replacement (as per Article 123-bis, paragraph 1, letter I), CFA)**

The Company is administered by a Board of Directors made up of between 8 and 15 members. The Shareholders' Meeting establishes the number of members on the Board of Directors, which remains in place until otherwise resolved.

All Directors must satisfy the eligibility and good standing requirements established by applicable law and other provisions. In addition, in accordance with the legal and regulatory requirements, a number of Directors should be independent.

The Shareholders' Meeting appoints the Board of Directors on the basis of slates presented by the shareholders, in accordance with the procedure set out in the following paragraphs, except where otherwise established by obligatory laws or regulations.

Shareholders can present a slate for the appointment of Directors who, alone or together with other presenting shareholders, have a shareholding at least equal to that determined by Consob in accordance with applicable provisions and regulations (which for the Company with regards to 2022 is 2.5% of the share capital considering the share capital comprised of listed shares). Ownership of the minimum shareholding is determined according to the shares that are registered in favour of the shareholder on the day in which the slates are filed with the Issuer; certification can also be presented subsequent to the filing provided that it is within the deadline for the publication of the slates.

The slates must be filed at the registered office of the Company according to the manner prescribed by current regulations, at least twenty-five days prior to the Shareholders' Meeting called to appoint the Directors. The slates must be made available to the public by the Company at least twenty-one days prior to the Shareholders' Meeting in accordance with the manner prescribed by current regulations.

The slates provide for a number of candidates not above 15, each listed by progressive number. The slates may not be composed of candidates only from the same gender (masculine or feminine); each slate must include a number of candidates of the under-represented gender to guarantee the composition of the Board of Directors in accordance with legal and regulatory provisions in relation to gender balance (masculine and feminine), with rounding applied in accordance with current regulations.



The following must be attached to each slate, or else shall be considered as not presented:

- curriculum vitae of the candidates;
- declarations of the individual candidates, in which they accept their candidature and certify, under their own responsibility, the inexistence of any cause of ineligibility or incompatibility, as well as the satisfaction of the requirements prescribed by applicable regulations for the office of Director of the Company, including where applicable, declarations on the independence of candidates;
- the shareholders who have presented the slates and their total shareholding;
- any other further declaration, disclosure and/or document required by law and applicable regulatory rules.

Individual Shareholders, shareholders belonging to the same group or members of a shareholder agreement pursuant to Article 122 of the CFA, may not present or be involved in the presentation, even through nominees or trust companies, of more than one slate or vote on other slates; in addition, each candidate may only be present on one slate, at the risk of being declared ineligible.

The candidates elected at the end of the voting shall be those on the two slates that have obtained the highest number of votes as follows: (i) from the slate which obtained the highest number of votes (the “Majority Slate”), all the Directors shall be elected in progressive number, less one; and (ii) from the slate which obtained the second highest number of votes and that is not associated, even indirectly, with the shareholders who presented or voted for the Majority Slate (the “Minority Slate”) one Director shall be elected, being the first candidate indicated on the slate.

Consideration is not taken of the slates which have not obtained at least half of the votes required for the presentation of slates.

Should two slates receive the same number of votes, a second vote of the entire Shareholders’ Meeting shall decide, with the candidate being elected by means of a simple majority of the votes.

If voting does not result in compliance with legal and regulatory provisions in relation to gender balance (including rounding up where necessary in relation to the under-represented gender), the elected candidate appearing last on the Majority Slate of the over-represented gender is excluded and will be replaced by the first candidates from the same slate belonging to the other gender. Where it is not possible to implement this replacement procedure in order to guarantee compliance with legal and regulatory provisions concerning gender balance, the non-elected Directors will be elected by the Shareholders’ Meeting through ordinary majority, with presentation of candidates belonging to the under-represented gender.

Where the candidates elected do not ensure the number of Independent Directors as required by applicable regulations, the non-independent candidate(s) elected last in progressive order of the Majority Slate will be replaced by the first independent candidate according to the progressive numbering not elected in the same Majority Slate. Where this procedure does not ensure the required number of Independent Directors, the Shareholders’ Meeting will elect in accordance with ordinary majority, with presentation of independent candidates.

Where only one slate is presented, the Shareholders’ Meeting will vote on that slate and, where this slate receives the majority of the votes, all the members of the Board of Directors will be taken from this slate in accordance with applicable law and regulations, including gender balance regulations (rounded upwards where resulting in a fraction), in accordance with current regulations.

In the absence of slates, or where only one slate is presented and this slate does not receive the majority of the votes, or where the number of Directors elected based on the slates presented is below the number of members to be elected, or where the entire Board of Directors need not be re-elected, or where it is not possible for whatever reason to proceed with the nomination of the Board of Directors with the above-mentioned procedures, the members of the Board of Directors will be appointed by the Shareholders’ Meeting through ordinary majority, without application of the slate voting mechanism, subject to the obligation to maintain the minimum number of Independent Directors established by law and in accordance with applicable law and regulations in relation to gender balance.

The Directors are elected for a period, established by the Shareholders Meeting, of not greater than three years from the acceptance of their office and until the date of the Shareholders' Meeting for the approval of the annual accounts for the last year of their appointment.

Where over half the Directors appointed by the Shareholders' Meeting resign, the entire Board shall be deemed to have vacated office with effect from the re-appointment of the Board of Directors and the remaining Directors must promptly call a Shareholders' Meeting for the appointment of the new Board of Directors.

In the event that, for whatever reason, one or more Directors are no longer sitting, the Board of Directors will proceed with co-option, where possible, from among the non-elected candidates from the slate from which the Director leaving office had been elected, according to the progressive numbering of the slate, while maintaining the obligation of a minimum number of Independent Directors as established by law, considering also the share segment, and in accordance with the applicable law and regulations on gender balance quotas.

The Board of Directors elects a Chairperson from among its members, who remains in this position for the duration of the Board's mandate.

## **4.2 Composition (as per Article 123-bis, paragraph 2, letter d), CFA)**

### **4.2.1 Members of the Board of Directors**

The Board of Directors of the Company comprises a minimum of 8 and a maximum of 15 members. The number of members is established by the Shareholders' Meeting.

As required by the Code, the Board of Directors consists of Executive and Non-Executive Directors; the number, the expertise, the authority and the availability of time of the Non-Executive Directors is such to guarantee that their opinion can have a significant impact on Board motions.

The Issuer's Shareholders' Meeting held on June 18, 2020 appointed the Board of Directors and set the number of members at 9 and the term of office at three financial years.

Subsequently, by implementing the slate voting system provided for by Article 11 of the By-Laws *pro tempore*, the Shareholders' Meeting appointed the Board of Directors of Aquafil. In particular, it should be underlined that 8 (eight) members of the Board of Directors were taken from the slate submitted by the shareholder Aquafin Holding, which qualified as the Majority Slate, and 1 (one) member was taken from the slate that qualified as the Minority Slate.

Pursuant to Article 2386 of the Civil Code, the Shareholders' Meeting held on April 28, 2022 appointed Stefano Giovanni Loro and Attilio Annoni as Directors of the Company until the approval of the 2022 financial statements, confirming the replacements made by the Board of Directors due to the resignations of first Fabrizio Calenti and later Adriano Vivaldi.

At December 31, 2022, the Board of Directors was comprised, also in view of the gender balance regulation at Article 147-ter, paragraph 1-ter of the CFA, nine Directors, of whom four were executive, as follows:

Office	Name	Place and date of birth	Date of appointment
Chairperson & Chief Executive Officer	Giulio Bonazzi	Verona, July 26, 1963	June 18, 2020
Senior Executive Director	Attilio Annoni	Milan, July 22, 1960	April 28, 2022 May 12, 2022
Executive Director	Stefano Giovanni Loro	Bassano del Grappa (VI), April 17, 1965	April 28, 2022
Executive Director	Franco Rossi	Milan, November 2, 1959	June 18, 2020
Director	Silvana Bonazzi	Bussolengo (Verona), February 27, 1993	June 18, 2020
Director	Simona Heidempergher	Milan, November 1, 1968	June 18, 2020
Director	Ilaria Maria Dalla Riva	Pavia, November 20, 1970	June 18, 2020
Director	Margherita Zambon	Vicenza, November 4, 1960	June 18, 2020
Director	Francesco Profumo	Savona, May 3, 1953	June 18, 2020

The Board of Directors shall remain in office until the approval date of the 2022 Annual Accounts.

All members of the Board of Directors possess the standing requirements set out for control members with regulation of the Italian Ministry of Justice pursuant to Article 148, paragraph 4, of the CFA.

In addition, the Independent Directors Heidempergher, Zambon, Dalla Riva and Profumo declared their independence in accordance with Article 147-ter, paragraph 4 of the CFA and Article 3 of the Code.

The Non-Executive and Independent Directors bring their specific expertise to Board discussions, contributing to the making of decisions in the Company's interest.

The Directors act and deliberate in a knowledgeable and independent manner, pursuing the creation of value for the shareholders. They execute the role in the certainty of having the necessary time available to diligently perform their duties.

The Chairperson coordinates activities and leads the Board of Directors' meetings and ensures that its members are informed appropriately in advance on the significant matters to be discussed and with regards to useful elements for constructive involvement, subject to necessity, urgency or confidentiality.

The Chairperson, in addition, through the competent company functions, ensures that the Directors are involved in initiatives which improve their knowledge of the entity and its dynamics and that they are informed upon major legislative and regulatory developments regarding the Company and the corporate bodies.

The table on the following page provides further clarifications regarding the composition of the Board of Directors.

The Company highlights that no specific policies were adopted in terms of diversity, although it points out that the appointments of the members of administrative and control boards were driven by also taking account — in addition to applicable legal provisions — of: candidates' age (having therefore considered their possible experience and professional contribution) and individuals' training.

The Board of Directors currently expects to be able to continue on this track in the year 2022.

#### Board of Directors

Office	Member	Year of birth	Date first appointment (*)	In office from
Chairperson & Chief Executive Officer	Bonazzi Giulio	1963	27/07/2017	18/06/2020
Senior Executive Director	Attilio Annoni	1960	21/12/2021	28/04/2022
Director	Stefano Giovanni Loro	1965	29/06/2021	28/04/2022
Director	Rossi Franco	1959	27/07/2017	18/06/2020
Director	Bonazzi Silvana	1993	27/07/2017	18/06/2020
Director	Heidempergher Simona	1968	27/07/2017	18/06/2020
Director	Ilaria Maria Dalla Riva	1970	18/06/2020	18/06/2020
Director	Zambon Margherita	1960	27/07/2017	18/06/2020
Director	Profumo Francesco	1953	27/07/2017	18/06/2020
<b>Number of meetings held in the Reporting Year: 5</b>	<b>Control, Risks and Sustainability/RPT Committee: 7</b>	<b>Appointments and Remuneration Committee 4</b>		

For further information on the slates filed for the appointment of the Board of Directors reference should be made to the website of the Company [www.aquafil.com](http://www.aquafil.com), where the professional curricula vitae of each Director is available.

#### 4.2.2 Maximum number of offices held in other companies

The Board of Directors has not defined the general criteria relating to the maximum number of offices of administration and control in other companies that may be considered compatible with the proper carrying out of their duties as Directors of the Company.

This decision was based on the Board's consideration that it was more appropriate for each Director to decide whether the office of Director or Statutory Auditor is compatible with positions held in other listed companies on regulated markets (including overseas), in financial, banking, insurance or large companies, with the diligent undertaking of their duties as Director of the Issuer.

This assessment is undertaken on an annual basis during the disclosures of the offices held by the Directors and, in the event of incompatibility arising, each Director will present to the Board any situations of accumulated offices not compatible which will be assessed on a case by case basis by the Board.

The same assessment was conducted at the Board's induction meeting on June 18, 2020, and no communications were provided in the interim that would result in a review of the assessment.

#### 4.2.3 Induction Programme

The Board meetings, for their content and frequency, permits the Directors to receive adequate information on the sector in which the Issuer operates, on the business operations and their performances, on the principles of correct risk management, as well as the relative regulatory framework.

The induction process began in 2018, when the Board of Directors met in Phoenix (Arizona), visiting one of the Group plants, so as to have a more practical understanding of one of the specific sectors in which the Issuer undertakes its activities and to better understand the underlying business operations and relative developments.

Subsequently, at the Board of Directors meeting of November 14, 2019, a plant visit was organised at Ljubljana (Slovenia) to concretely improve knowledge of the ECONYL® regeneration process, while training was also undertaken with an expert corporate governance lawyer on the main governance and risk management issues.

The year 2020 was marked by the outbreak of the Covid-19 Pandemic. Therefore, the Board was only able to organise a training session with an expert corporate governance lawyer to discuss the main changes related to the entry into force of the New Corporate Governance Code.

In office until	Board of Directors					Control, Risks and Sustainability Committee			Appointments and Remun. Committee		
	Slate (**)	Exec.	Non Exec.	Ind. Code	Ind. CFA	No. other offices (***)	(*)	(*)	(**)	(*)	(**)
Approv. 2022 Accounts	1	X									
Approv. 2022 Accounts		X									
Approv. 2022 Accounts	-	X									
Approv. 2022 Accounts	1	X									
Approv. 2022 Accounts	1		X								
Approv. 2022 Accounts	1		X		X			X			
Approv. 2022 Accounts	2		X		X				X		X
Approv. 2022 Accounts	1		X		X					X	
Approv. 2022 Accounts	1		X		X			X		X	

In full continuity with the past, and given the increased focus on topics that are central to the Company's business, in 2022 a specific session was carried out on the topic of risk analysis and assessment.

#### 4.2.4 Board Evaluation

In line with best practices and the provisions of the Corporate Governance Code. In 2022, the Board of Directors conducted a self-evaluation of the Board and its Committees. The was carried out with the support of a specialised external consultant, The European House - Ambrosetti.

As per the recommendations of the Corporate Governance Code, the Chairperson of the Board of Directors is responsible for ensuring the adequacy and transparency of the self- evaluation process. The Chairperson was supported by the Appointments and Remuneration Committee.

The Board Evaluation in 2022 included the following activities:

- completion by each Director of a questionnaire to assess the composition and functioning of the Board and its Committees;
- individual interviews with each Director and members of the Board of Statutory Auditors, designed to obtain additional opinions on the functioning of the Board.

The questionnaire and interviews covered eight relevant macro areas: the size and composition of the Board; the functioning of the Board and interactions between Directors; roles, responsibilities and internal processes within the Board; the definition of strategic guidelines, results and performance; relations between the Board and Management; dialogue and engagement with the market; the Internal Control and Risk Management System and functioning of the Control, Risks and Sustainability Committee; remuneration policies and the functioning of the Appointments and Remuneration Committee.

The results of the two activities were analysed and summarised in a report produced by the independent consultant, which was presented to the Appointments and Remuneration Committee during its meeting on February 9, 2023, and subsequently at the Board of Directors meeting held on February 15, 2023.

The purpose of the Board Evaluation was to reflect on the strengths, critical issues and - most importantly - on the future challenges facing the body, areas for improvement and concrete action that could be taken, especially given the reappointment of the Board scheduled for 2023.

The Board and Committees' self-evaluation of their size, composition, and functioning was positive. Every Director interviewed acknowledged the progress achieved by the Board of Directors. Specifically, the results of the 2022 Board Evaluation highlighted:

- the smooth overall functioning of the Board, including compliance with current regulations and the Recommendations of the Corporate Governance Code;
- the presence of high-profile Directors with a wide range of technical and functional experience, overall knowledge and professional backgrounds;

- iii) the effective definition of strategic guidelines, results and performance;
- iv) a structured process for assessing operating performance, which is based on appropriate and timely information;
- v) a constructive and effective relationship between the Board, the Committees and the Board of Statutory Auditors;
- vi) the way in which the role and functioning of committees allow discussion and analysis on in-depth aspects of significant issues;
- vii) the effectiveness of the Internal Control and Risk Management System considering the particular characteristics of the Company and the risk profile assumed; Of particular note was the progress that has been made in the area of risk mapping, which is extremely relevant considering the specific operating environment.

## 4.3 Role of the Board of Directors (as per Article 123-bis, paragraph 2, letter d) of the CFA)

### 4.3.1 Powers attributed to the Board of Directors

The Board shall have the widest powers of ordinary and extraordinary administration of the Company, with the power to carry out all acts it deems appropriate for attaining the corporate scope, with the sole exclusion of those attributed by law to the Shareholders' Meeting.

The Board of Directors, in accordance with Article 2365, paragraph 2 of the Civil Code is also empowered to pass the following motions, without prejudice to the concurrent competence of the Shareholders' Meeting: *(i)* the opening and closing of secondary offices; *(ii)* the appointment of Directors as company representatives; *(iii)* the reduction of the share capital in the case of withdrawal of the shareholders; *(iv)* the transfer of the registered office within the national territory, *(v)* the merger of the Company in the cases established by Articles 2505 and 2505-bis of the Civil Code, also with regards to that stated, for spin-offs, by Article 2506-ter, final paragraph; and *(vi)* amendment of the By-Laws in accordance with regulatory provisions.

The Board has a central role in operating activities, overseeing the various functions and is responsible for the organisational and strategic guidelines, as well as for verifying the existence of the necessary controls to monitor the performance of the Issuer and the Group.

The remit of the Board includes the review and approval of the strategic, industrial and financial plans of the Issuer and of the Group, periodically monitoring their implementation.

The Board also defines the corporate governance system of the Issuer and the structure of the Group.

In accordance with the regulatory provisions and the Code, the Board reviews and approves in advance the Issuers' and its subsidiaries' operations, when having a significant strategic, economic or financial importance for the Issuer, paying particular attention to the situations in which one or more Directors have an interest on their own behalf or on behalf of third parties.

The Board has not established criteria for the identification of transactions which have significant strategic, economic, equity or financial importance for the Issuer, in that these transactions, where not within the powers conferred to the Chief Executive Officer and the Executive Directors, are within the remit of the Board.

This ensures that, with the exception of the powers expressly conferred to the Chief Executive Officer and the Executive Directors (listed in detail in paragraph 4.4.1 below), the Board of the Issuer reviews and assesses the most significant transactions which guarantees constant monitoring of the operating performance and taking an active part in the principal business decisions.

In relation to the management of conflicts of interest and related party transactions of the Issuer and of the Group, reference should be made to paragraph 13 below.

In compliance with Article 2381 of the Civil Code and the provisions of the Code, the Board periodically assessed the adequacy of the organisational, administration and general accounting system of the Issuer, with particular reference to the Internal Control and Risk Management System, in accordance with the procedures adopted by the Issuer.

In the undertaking of these activities the Board shall be assisted, on a case by case basis, by the Control, Risks and Sustainability Committee, the Internal Audit Manager and the Executive Officer, as well as the procedures and verifications implemented in accordance with Law 262/2005.

Simultaneously, the Board at least quarterly shall assess the general operating performance, taking into account, in particular, the information received from the Chief Executive Officer and the Executive Directors, as well as periodically, comparing the results with the budgets.

Similarly, the Board shall undertake their annual evaluation, in accordance with the provisions of the Code, in order to establish whether the size, the composition and the functioning of the Board and of its committees shall be adequate in relation to the operational and organisational needs of the Company, also taking into account the professional characteristics, experience, including managerial and sectorial, of its members as well as the presence, of a total of nine Directors, of five Non-Executive Directors (of which three independent), capable of influencing, for their number and authority, the Board decisions and contributing their specific know-how and which also guarantees an appropriate composition of the Committees within the Board.

As of the date of this Report, the Shareholders' Meeting has not authorised any general and pre-emptive departure from the competition restrictions envisaged by Article 2390 of the Civil Code.

### 4.3.2 Procedures and frequency of board meetings

Meetings are held in accordance with the By-Laws and Regulation of the Board of Directors, as updated by the Board on November 11, 2021 and available on the Company's website.

The validity of Board motions requires the presence of a majority of its members in office, with motions passed by a majority of those present.

The Board of Directors elects a Chairperson from among its members, who remains in this position for the duration Board of Directors.

As per Article 12 of the By-Laws, the Board of Directors may delegate part of its powers to an Executive Committee, determining the limits of such mandate as well as the number of members of the committee and its operating procedures.

The Board of Directors may appoint one or more Executive Directors, granting them the relevant powers and conferring to one of them, where applicable, the role of Chief Executive Officer. In addition, the Board of Directors may also establish one or more committees with consulting, advisory, or audit functions in accordance with applicable laws and regulations. The Board of Directors may also appoint General Managers, defining their powers and granting powers of attorney to third parties for certain acts or categories of acts.

Under Article 13 of the By-Laws, the Board of Directors meets at the Company's registered office or another location, whenever the Chairperson deems it necessary or whenever a request is made by the Chief Executive Officer, if appointed, or by at least two of its members or by the Board of Statutory Auditors.

The calling of the Board of Directors is made by the Chairperson or, if absent, by the Chief Executive Officer, with notices to be sent, by letter, telegram, fax or email with proof of receipt, to the domicile address of each Director and Statutory Auditor at least five days before the date set for the meeting; in case of urgency, the calling of the Board of Directors may be made at least two days before the date set for the meeting. The meeting of the Board and its motions are valid, even in the absence of formal call, where all Directors in office and the majority of the Board of Statutory Auditors are in attendance, as long as the absent members of the Board of Statutory Auditors have been informed in advance of the meeting and are not opposed. In these cases (i) any of the attendees may oppose the discussion and voting of the matters on which they have not been adequately informed; and (ii) the motions undertaken should be communicated in a timely manner to the absent Statutory Auditors. In the absence of the Chairperson, the chair of the meeting is assumed by the Chief Executive Officer, if appointed, or failing that the most senior Director.

In light of the provisions made following the COVID-19 emergency, the meetings of the Board of Directors may also be held by audio or video conference, provided that: (i) the Chairperson and the Secretary, if appointed, are present in the same location and write and sign the minutes, verifying that the meeting was held in that location; (ii) the Chairperson of the meeting may verify the identity of the participants, direct the course of the meeting and witness and announce the results of the voting; (iii) the person taking the minutes may adequately observe the events of the meeting to be recorded in the minutes; and (iv) participants may participate in the discussion and the simultaneous voting on the matters on the Agenda, as well as view, receive or transmit documents.

The Board of Directors, after prior mandatory consultation with the Board of Statutory Auditors, shall appoint an Executive Officer responsible for the preparation of the financial statements, in accordance with Article 154-*bis* of the CFA (the Executive Officer for Financial Reporting), granting this person the adequate means and powers for the accomplishment of the tasks assigned.

In 2022, the Board of Directors met on five occasions, with an average meeting duration of approx. two hours and a 100% participation rate for all directors.



For 2023, the Board of Directors has already met twice (including the meeting held today) and are expected to meet at least three more times (according to that stated in the approved financial calendar).

The meetings were appropriately minuted.

The Chairperson of the Board of Directors ensured that the documentation relating to the matters on the Agenda was made available to the Directors and Statutory Auditors with sufficient time before the date of each Board meeting. The timeliness and completeness of the pre-meeting information is ensured by sending the supporting documentation - in compliance with the provisions of the Regulation of the Board of Directors - at least three days before the date of the Board meeting, except in urgent cases in which the documentation is made available with the best possible timeliness by giving notice by that date. This timeframe was always respected, reporting an average of three days in advance, while aiming for four days in order to meet the Issuer's firm commitment to make pre-meeting information flows increasingly efficient.

In addition, the Chairperson of the Board ensured that sufficient time was provided to the matters on the Agenda in order that all the Directors may contribute, thereby guaranteeing, constructive debate in the Board meetings.

Executives of the Issuer attended Board meetings in order to provide detailed information on matters on the Agenda.

In general, the Chief Executive Officer and the Executive Directors ensure - within their respective scopes - that the Executives are available to attend Board meetings so that valuable contributions may be made, in particular for the Non-Executive Directors to acquire adequate information on the operations of the Issuer.

The Executive Officer appointed normally attends the Board of Directors' meetings.

## 4.4 Executive bodies

In accordance with the By-Laws, the Board of Directors may delegate part of its powers to an Executive Committee, determining the limits of such mandate, as well as the number of members of the committee and its operating procedures.

Under Article 12.3 of the By-Laws, the Board of Directors may appoint one or more Executive Directors, granting them the relevant powers and conferring to one of them, where applicable, the role of Chief Executive Officer. In addition, the Board of Directors may also establish one or more committees with consulting, advisory, or audit functions in accordance with applicable laws and regulations. The Board of Directors may also appoint General Managers, defining their powers and granting powers of attorney to third parties for certain acts or categories of acts.

Under Article 12.4 of the By-Laws, the Chairperson of the Board of Directors is the legal representative of the Company in dealings with third parties and in legal matters (with the right to appoint lawyers and attorneys-of-record). Representation also rests with the Directors who have delegated powers granted by the Board of Directors, with the General Managers, proxies and attorneys-in-fact, within the limits of the powers conferred to them.

### 4.4.1 Chief Executive Officer and Executive Directors

Also taking into account the motion passed on June 18, 2020, the office of Chief Executive Officer is currently held by Mr. Giulio Bonazzi, who is chiefly responsible for the management of the Issuer; we also underline that the interlocking directorate condition provided for by Criterion 2.C.5 does not apply.

Mr. Attilio Annoni is Senior Executive Director granted the powers set out below.

#### (a) Powers of the Chief Executive Officer Giulio Bonazzi

all powers for the Company's ordinary and extraordinary administration (with the sole exception of those that the By-Laws, the law or the Self-Governance Code reserve exclusively to the Board of Directors and the Shareholders' Meeting). In particular, Director Giulio Bonazzi is granted, including, and without limitation, full powers to manage the following areas, activities and corporate functions:

- a) commercial, promotional, marketing and communication activities;
- b) production and logistics activities;

- c) financial and operational purchasing and/or sale and/or trade and/or leasing activities, and in any case, including through the signing of related lease and/or lease of use contracts and/or any contract, document or instrument required, of (a) movable assets (including those registered), (b) real estate, (c) services of any type and nature, (c) utilities, (d) rights and obligations of any nature and type, and (e) in any case, all that is deemed necessary by the Director for the Company's management;
- d) the acquisition and/or sale of corporate holdings of any type up to a maximum of Euro 25,000,000 per transaction and the disposal of the Company's strategic assets up to a maximum of Euro 25,000,000 per transaction, together with the establishment and dissolution and/or the liquidation of investee companies;
- e) activities related to financial transactions, including, without limitation: (i) to request and obtain bank credit facilities and/or short, medium and long-term financing of any kind and nature; (ii) to open, close and change bank current accounts of any kind and to make deposits and withdrawals (by obtaining associated instruments such as bank cheques or bank drafts and any other instrument deemed necessary for this purpose); (iii) to submit, recall or defer bills of any kind for discount or collection; (iv) to carry out factoring transactions of any form and type; (v) to grant, where necessary and/or required for financing activities, any and all kinds of guarantor, guarantee and any other type of commitment, including collateral security, both on real estate and movable assets (including, but not limited to, the creation of liens and mortgages, etc.);
- f) activities related to the assumption of guarantor and/or guarantee commitments of any kind in respect of third parties to guarantee the obligations assumed by the Company's subsidiaries (directly or indirectly) or the obligations assumed by third parties, up to a maximum of Euro 15,000,000 per transaction;
- g) activities connected to the issue of declarations of conformity (and/or any associated or related declaration) for products marketed by the Company;
- h) activities related to any operation or fulfilment of any kind and nature, to be carried out with both national and international government entities at all levels, supervisory authorities and/or surveillance authorities;
- i) to represent the Company in court and out of court in all matters and before national and international courts of all types and at all levels, both as the plaintiff and the defendant, with the power (without limitation) to appoint lawyers, attorneys-of-record, consultants and arbitrators, elect domicile, file complaints and lawsuits, bring civil actions, propose petitions and appeals, undertake and request procedural acts or protective, executive and insolvency measures, represent the Company in court whenever the law or the court requests the participation of the Company's legal representative, and to confer all powers upon any appointed attorneys-of-record, including the definition of rights in disputes, with the power to reconcile, settle, issue receipts, withdraw from proceedings, accept waivers and perform any other necessary act;
- j) to represent the Company at the Shareholders' Meeting of Italian and foreign investee companies, in any jurisdiction; and
- k) activities related to personnel management in all respects, including, but not limited to, recruitment, dismissals, changes to any type of role, grading, duties and remuneration, as well as in connection with the management of trade union relations of all types and levels;

all this: (a) with the Company's representation for all purposes, within the scope of the powers conferred, in respect of any third party, including, without limitation, any national or international authority, including, without limitation, civil, administrative, judicial, social security and insurance Authorities or Entities of any level, as well as tax and registry offices and, in general, the State Financial Administration, the central and peripheral offices of the *Cassa Depositi e Prestiti* (Deposit and Loan Bank), State Treasuries, Regions, Provinces and Municipalities as well as regional or trade Industrial Associations; (b) with the power to confer mandates and grant powers of attorney, according to the terms deemed most suitable by the Director, for individual acts or categories of acts (or matters), within the scope of the powers conferred, as well as to revoke and/or modify them; (c) with all the necessary, useful or appropriate powers, without any limitation and including those not expressly mentioned, for the purposes of exercising the powers conferred, including, but not limited to, the power to sign, supplement and amend any and all deeds, attestations, declarations or documents and to perform all acts and actions that may be necessary, useful or even solely suitable for this purpose.

**(b) Powers of the Senior Executive Director Mr. Attilio Annoni**

*"The Director Attilio Annoni is granted the widest and fullest powers of ordinary administration both with regard to commercial, production and logistical activities in the sectors in which the Company operates (fibres, polymers, etc.), and to organise, manage and supervise the administrative activities of the Company.*

Specifically, the following powers are granted:

- (i) *represent the Company in respect of any financing institution, company and/or entity, with full delegation to operate with them in order to inter alia: (i) request and obtain bank credit facilities and/or short, medium and long term financing of any kind and nature; (ii) open, close and change bank current accounts of any kind and make deposits and withdrawals, by obtaining and signing associated instruments such as bank cheques or bank drafts and any other instrument or document deemed necessary for this purpose; (iii) submit, recall or defer bills of any kind for discount or collection; (iv) carry out factoring transactions of any form and type; (v) order payments and collect payments relating to the Company's suppliers and customers with all necessary instruments; (vi) make transfers. All this, with the power to grant, where necessary and/or required, any and all kinds of guarantor, guarantee*

and any other type of commitment, including collateral security, both on real estate and movable assets (such as, without limitation, liens, mortgages, etc.);

- (ii) represent the Company in all matters before national and international government entities of any kind and nature, and supervisory and/or surveillance authorities by signing statements, including tax statements, of any type, nature and form;
- (iii) to represent the Company in any matter in court and out of court and before national and international courts of all types and all levels, both as the plaintiff and the defendant, to appoint lawyers, attorneys-of-record, consultants and arbitrators, elect domicile, file complaints and lawsuits, bring civil actions, propose petitions and appeals, undertake and request procedural acts or protective, executive and insolvency measures, represent the Company in court whenever the law or the court requests the participation of the Company's legal representative, and conferring all powers upon any appointed attorneys-of-record, including the definition of rights in disputes, with the power to reconcile, settle, issue receipts, withdraw from proceedings, accept waivers and perform any other act necessary for this purpose;
- (iv) carry out activities related to personnel management in all respects, including, but not limited to, recruitment, dismissals, changes to any type of role, grading, duties and remuneration, as well as in connection with the management of trade union relations of all types and levels;
- (v) carry out activities related to the assumption of guarantor and/or guarantee commitments of any kind in respect of third parties to guarantee the obligations assumed by the Company's subsidiaries (directly or indirectly) or the obligations assumed by third parties, up to a maximum of Euro 15,000,000 per transaction;
- (vi) carry out acquisitions and/or sales of corporate holdings of any type up to a maximum of Euro 25,000,000 per transaction and dispose of the Company's strategic assets up to a maximum of Euro 25,000,000 per transaction, together with the establishment and dissolution and/or the liquidation of investee companies;
- (vii) represent the Company at the Shareholders' Meeting of Italian and foreign investee companies, in any jurisdiction;
- (viii) carry out financial and operational purchasing and/or sale and/or trade and/or leasing activities, and in any case including through the signing of related lease and/or lease of use contracts and/or any contract, document or instrument required, of **(a)** movable assets (including those registered), **(b)** real estate, **(c)** services of any type and nature, **(d)** utilities, **(e)** rights and obligations of any nature and type, and as deemed necessary by the Director for the Company's management;

all this: **(a)** with the Company's representation for all purposes, within the scope of the powers conferred, in respect of any third party, including, without limitation, any national or international authority, including, without limitation, civil, administrative, judicial, social security and insurance Authorities or Entities of any level, as well as tax and registry offices and, in general, the State Financial Administration, the central and peripheral offices of the Cassa Depositi e Prestiti (Deposit and Loan Bank), State Treasuries, Regions, Provinces and Municipalities as well as regional or trade Industrial Associations; **(b)** with the power to confer mandates and grant powers of attorney, according to the terms deemed most suitable by the Director, for individual acts or categories of acts (or matters), within the scope of the powers conferred, as well as to revoke and/or modify them; **(c)** with all the necessary, useful or appropriate powers, without any limitation and including those not expressly mentioned, for the purposes of exercising the powers conferred, including, but not limited to, the power to sign, supplement and amend any and all deeds, attestations, declarations or documents and to perform all acts and actions that may be necessary, useful or even solely suitable for this purpose."

#### 4.4.2 Chairperson of the Board of Directors

On June 18, 2020, Giulio Bonazzi was confirmed as Chairperson of the Board of Directors.

In view of the composition of the Board of Directors in office and the conferment of the above offices and powers, the conditions set out in the Code have been satisfied, since the Director Giulio Bonazzi is the Chairperson of the Board of Directors and is principally responsible for company management.

In accordance with the Code, it was found necessary for the Board of Directors to designate Independent Director Simona Heidempergher as Lead Independent Director.

Under Article 12.4 of the By-Laws, the Chairperson of the Board of Directors is the legal representative of the Company in dealings with third parties and in legal matters (with the right to appoint lawyers and attorneys-of-record).

#### 4.4.3 Executive Committee

Under Article 12.2 of the By-Laws, the Board may delegate some of its powers to an Executive Committee, determining the limits of the mandate, as well as the number of members and the operating procedures.

Pursuant to Article 2389 of the Civil Code, the remuneration of the Executive Committee members is to be decided by the Shareholders' Meeting.

At the Reporting date, an Executive Committee had not been established.

#### **4.4.4 Reporting to the Board of Directors**

Pursuant to Article 14.5 of the By-Laws, the Board of Directors and the Board of Statutory Auditors are kept informed, inter alia by the persons with delegated powers, about the performance of the Company, its prospects and the transactions of greatest significance for its profitability, financial position or assets and liabilities carried out by the Company or its subsidiaries; in particular, such persons report any transactions in which they have an interest, on their own behalf or on behalf of third parties, or that are influenced by the person, if any, who performs management and coordination activities. The communication shall be made in good time and, in any case, at least on a quarterly basis, either on the occasion of a meeting or by means of a written note.

From the beginning of their mandate, at least on a quarterly basis, the Chief Executive Officer and the Executive Directors reported in an adequate and timely manner to the Board of Directors and the Board of Statutory Auditors on the activities undertaken concerning the powers conferred and in a manner to permit the Board to express opinions in an informed manner on the matters under examination.

#### **4.5 Other directors with delegated duties**

As of the date of this Report, beyond the Chairperson and Chief Executive Officer and the Executive Director, no other directors have been attributed delegated duties.

#### **4.6 Independent Directors**

Pursuant to the combined provisions of Articles 147-ter, paragraph 4, and 148, paragraph 3, of the CFA and in accordance with the requirements of Article 2.2.3, paragraph 3, letter m) of the Stock Exchange Regulation and Article IA.2.10. 6 of the Stock Exchange Instruction Regulation, four Independent Directors currently hold office on the Board of Directors, in the persons of Simona Heidempergher, Margherita Zambon, Ilaria Maria Dalla Riva and Francesco Profumo.

The Board of Directors assesses the existence and permanence of the requirements above, also applying all the criteria as per the Code, on the basis of the information that the parties are required to provide under their own responsibility, or of the information available to the Board of Directors.

With reference to the Board of Directors currently in office, on assuming office on June 18, 2020, at its meeting of February 17, 2021 and later at its meeting of February 9, 2022, the Board carried out the necessary checks on the fulfilment of the independence requirements of the aforementioned Directors.

The Board of Statutory Auditors verified the correct application of the criteria and procedures adopted by the Board of Directors to assess the independence of its members on March 8, 2022.

#### **4.7 Lead Independent Director**

We highlight that the composition of the Board of Directors means that the conditions for which - pursuant to the Code - it is necessary to appoint a Lead Independent Director have been met, and Ms. Simona Heidempergher is confirmed as Independent Director. In accordance with the provisions of the Code, the Lead Independent Director was tasked with the duties of collecting and co-ordinating the petitions and contributions of Non-Executive Directors, in particular of the Independent Directors, as well as working with the Chairperson of the Board of Directors to ensure that Directors receive adequate and timely information and may call meetings of the Independent Directors to discuss the functioning of the Board and corporate operations.

## 4.8 General manager

As of the date of this Report, the Board of Directors has not appointed a General Manager.

## 5. PROCESSING OF CORPORATE INFORMATION

The Company carried out a review and updating of the procedures concerning the processing of corporate information, with the support of an outside legal consultant in order to take into consideration the new rules and the Consob Guidelines. On February 14, 2020, the Board of Directors adopted the new version of the following procedures: (i) the Relevant Information Processing Policy (“**RIL**”); and (ii) the Inside Information Processing Policy, reviewing the previous regulatory framework as approved by the Board of Directors on September 12, 2017 and entering into force on the Effective Merger Date.

It is indicated therefore that at the date of this Report, the following procedures are in force:

- (i) Relevant Information Processing Policy;
- (ii) Inside Information Processing Policy; and
- (iii) Internal dealing code of conduct.

### 5.1 Relevant information processing policy

The objective of the Relevant Information Processing Policy (“**Relevant Information Policy**”) is to set the maximum level of confidentiality for information for which - as established by the Consob Guidelines and the Relevant Information Policy - there is a reasonable possibility that at a later date it may come at an inside nature.

The Relevant Information Policy therefore governs the identification of “Relevant Information” of Addressees (as therein defined) and the definition of the “List of Relevant Information”.

A copy of the Inside Information Processing Policy is available on the website of the Company [www.aquafil.com](http://www.aquafil.com) in the *Procedures and Regulations* section.

### 5.2 Inside information processing policy

The purpose of the Inside Information Processing Policy (the **Inside Information Processing Policy**) is to prevent the release of Inside Information (as defined below) in an untimely, incomplete or inadequate manner, or in any case in such a way as to cause asymmetric information within the market.

In particular, the dissemination of Inside Information, as governed by the aforementioned Inside Information Processing Policy protects the market and investors, assuring them adequate knowledge of the events concerning the Issuer on which to base their investment decisions.

It is also the objective of the Policy to prevent certain persons or categories of persons from using information not known to the public to make speculative transactions on the markets to the detriment of the investors without knowledge of such information.

A copy of the Inside Information Processing Policy is available on the website of the Company [www.aquafil.com](http://www.aquafil.com) in the *Procedures and Regulations* section.

### 5.3 Internal Dealing Code

In compliance with the provisions of the MAR Regulation, the Company adopted an Internal Dealing Policy, which is available on the Company website [www.aquafil.com](http://www.aquafil.com) in the *Procedures and Regulations* Section.

In accordance with the provisions of the Internal Dealing Policy, the Disclosure Officer is the person appointed for the implementation of the above-mentioned Policy and the updating of the list of Covered Persons.

In this regard, the Board of Directors of the Issuer confirmed the appointment of Ivan Roccasalva as Disclosure Officer on June 18, 2020.

## 6. INTERNAL COMMITTEES TO THE BOARD OF DIRECTORS (AS PER ARTICLE 123-BIS, PARAGRAPH 2, LETTER D), OF THE CFA)

The Board of Directors of Aquafil have set up the following committees:

- Control, Risks and Sustainability Committee
- Appointments and Remuneration Committee.

The Board has not indicated the need to currently establish a Related Party Transactions Committee, as such oversight is provided by the Control, Risks and Sustainability Committee.

## 7. APPOINTMENTS AND REMUNERATION COMMITTEE

### 7.1 Composition and operation (as per Article 123-bis, paragraph 2, letter d) of the CFA)

In accordance with Article 2.2.3, paragraph 3, letter n) of the Stock Exchange Regulation, applicable to issuers with shares traded on the MTA, STAR segment, as well as in accordance with the provisions of Article 6 of the Code, the Board of Directors of the Company set up an Appointments and Remuneration Committee.

Board of Directors motion of June 18, 2020 appointed as members of the Appointments and Remuneration Committee the following Non-Executive Directors, all of whom independent:

Chairperson	Francesco Profumo (*)
Member	Margherita Zambon
Member	Ilaria Maria Dalla Riva

(\*) Person with adequate financial and remuneration policy knowledge and experience, as assessed by the Board of Directors meeting of June 18, 2020.

The meetings of the Appointments and Remuneration Committee are coordinated by its Chairperson and minutes of the meetings are kept. The Chairperson regularly provided information on the meetings held by the Committee at the next Board of Directors' meeting.

In 2022, the Appointments and Remuneration Committee met four times; the meetings lasted on average approx. an hour and a half and with full participation (i.e. 100% attendance).

The Chairperson of the Board of Statutory Auditors and at least one other member of the Board of Statutory Auditors always attended the meetings of the Appointments and Remuneration Committee.

In accordance with the combined provisions of Article 2.2.3, paragraph 3, letter n) of the Stock Exchange Regulation — applicable to the issuers with shares traded on the MTA, STAR segment — and the Code, no Director takes part in the meetings of the Appointments and Remuneration Committee in which the proposals to the Board of Directors relating to their remuneration are being discussed.

In 2023, at the Reporting Date, the Appointments and Remuneration Committee has met on four occasions - on January 17, February 9, March 8 and March 16. All members attended the meetings, with each meeting lasting an hour and a half on average.

### 7.2 Appointments and remuneration committee duties and activities

The Regulations for the functioning of the Appointments and Remuneration Committee were updated, also in order to align them where necessary with the provisions of the new Corporate Governance Code, and were approved by the Board of Directors on March 11, 2021.

In accordance with the Regulation, the Committee comprises three Independent Directors, or alternatively, Non-Executive Directors, the majority of whom independent, from among whom the Chairperson will be chosen; as per this regulation, in addition, the members

of the Committee should have appropriate expertise to execute the duties required of them and at least one member of the Appointments and Remuneration Committee should possess adequate knowledge and experience with regards to finance and remuneration policies, and as assessed by the Board of Directors on appointment.

The Appointments and Remuneration Committee, with regards to appointments, supports the Board of Directors with investigative, proposal and consultation duties. In particular:

- (i) it assists the Board in defining and preparing any criteria for the designation of the parties at point (ii) below, as well as the Board of Directors of the subsidiaries;
- (ii) it draws up opinions for the Board of Directors in relation to the size and composition of the Board and expresses recommendations on the professional roles whose presence on the Board of Directors is considered beneficial, and also with regards to the following matters:
  - a) maximum number of Director or Statutory Auditor positions in other companies compatible with the effective performance of the position of Director with the Company, taking account of the participation of Directors on internal Board Committees. It therefore sets out general criteria based on the commitment related to each role (Executive Director, non-executive or independent), also in relation to the nature and to the size of the companies, as well as whether belonging to the Group. The committee also carries out investigative work with regards to the relative periodic checks and assessments.
  - b) assessments upon each matter or issue handled by the Board with regards to authorisation by the Shareholders' Meeting of any exceptions to the non-competition requirement under Article 2390 (non-competition requirement);
- (iii) reports to the Board its assessment with regards to the appointment of Senior Executives and members of the Company's Boards and bodies, proposed by the Chief Executive Officer and/or by the Chairperson of the Board of Directors, appointed by the Board and oversees the relative succession plans. Where possible and appropriate, in relation to the ownership structure, proposes to the Board the Chief Executive Officer succession plan;
- (iv) it supports the Board in drawing up, updating and implementing the succession plan, if any, for the Chief Executive Officer and Senior Executives of the Company, by examining and assessing the criteria underlying the plan;
- (v) proposes to the Board directorship candidates where during the year one or more vacancies arises on the Board (Article 2386, first paragraph of the Civil Code), ensuring compliance with the minimum number of Independent Directors requirement and the under-represented gender quota;
- (vi) proposes to the Board candidates for the position of Director to be submitted to the Shareholders' Meeting, taking into account any recommendation received from the shareholders, where it is not possible to obtain the required number of Directors from the slates submitted by the shareholders;
- (vii) supervises the self-evaluation of the Board and its Committees pursuant to the Corporate Governance Code, with regard to the size, composition and functioning of the Board of Directors and its committees, undertaking the preliminary investigation for the appointment, if necessary, of an external consultant for the self-evaluation;
- (viii) taking account of the results of the self-evaluation, draws up opinions for the Board - in view of the renewal of the Board of Directors - with regards to its size and that of its Committees, and also with regards to the managerial and professional expertise and roles which would support the Board or the Committees to express their position to the shareholders before the appointment of the new Board;
- (ix) undertakes the investigations required for the periodic verifications upon the independence and standing requirements of Directors and on the absence of reasons for incompatibility or ineligibility;
- (x) draws up an opinion for the Board with regards to any activities carried out by Directors in competition with those of the Company;
- (xi) reports to the next appropriate Board meeting, through the Chairperson of the Committee, on the main issues reviewed by the Committee at its meetings; in addition, reports to the Board, on at least a half-yearly basis and not beyond the deadline for approval of the annual and half-year financial reports, on the activities carried out, and also on the adequacy of the appointment system, at the Board meeting indicated by the Chairperson of the Board of Directors.

The Appointments and Remuneration Committee is also assigned the duty, with regards to remuneration, to assist the Board of Directors through investigative, proposal and consultation duties, for the evaluations and decisions concerning the remuneration policy of Senior Directors and Executives. In particular:

- (i) it periodically assesses the suitability, overall consistency and real application of the remuneration policy for Directors and Senior Executives. In the latter regard, it makes use of information provided by the Chief Executive Officers; formulates proposals to the Board of Directors on this matter, also with reference to the Board of Directors of the subsidiaries;
- (ii) it presents proposals or expresses opinions to the Board of Directors on the remuneration of Executive Directors and other Senior Directors, as well as establishing the performance objectives related to the variable component of this remuneration; assesses the possibility of establishing long-term incentive plans for Executive Directors and Senior Executives; monitors the application of the decisions adopted by the Board verifying, in particular, the achievement of the performance objectives;
- (iii) it reviews in advance the annual remuneration report to be made available to the public at the Shareholders' Meeting for approval of the Annual Financial Statements;



(iv) it carries out additional duties assigned by the Board of Directors;

The Appointments and Remuneration Committee may access all information and departments necessary for the undertaking of their duties, as well as utilising outside consultants within the budget approved by the Board of Directors. In this latter regard, where wishing to utilise the services of a consultant for information on remuneration policy market practice, the Committee in advance verifies that such consultants are not in a position whereby their independence of judgement may be affected.

## 8. REMUNERATION OF DIRECTORS AND SENIOR EXECUTIVES

The remuneration of the Directors is established by the Shareholders' Meeting. Pursuant to Article 15 of the By-Laws, the Shareholders' Meeting may determine the total amount of the remuneration of all of the Directors, including Senior Directors, whose division is established by the Board of Directors, having consulted with the Board of Statutory Auditors, for the remuneration of the Senior Directors pursuant to Article 2389 of the Civil Code.

On June 18, 2020, the Shareholders' Meeting set the remuneration of the entire Board of Directors at Euro 430,000.00.

On June 29, 2021, the Board of Directors, having received the approval of the Board of Statutory Auditors and the Appointments and Remuneration Committee, also resolved to grant - for the financial year 2021 - additional compensation for their specific roles to the Chairperson and Chief Executive Officer Giulio Bonazzi and the Executive Directors Adriano Vivaldi and Fabrizio Calenti.

For information on the remuneration policy adopted by the Issuer and the remuneration of the members of the Board of Directors and Senior Executives, reference should be made to the Remuneration Report prepared pursuant to Article 123-ter of the CFA and 84-quater of the Issuers' Regulation available on the company website at [www.aquafil.com](http://www.aquafil.com).

## 9. INCENTIVE MECHANISMS FOR THE INTERNAL AUDIT MANAGER AND THE EXECUTIVE OFFICER FOR FINANCIAL REPORTING

The incentive mechanisms for the Executive Officer are in line with the responsibilities assigned, as confirmed by the Board of Directors.

The incentive mechanisms for the Internal Audit Manager are in line with the responsibilities assigned, as confirmed by the Board of Directors.

## 10. CONTROL, RISKS AND SUSTAINABILITY COMMITTEE

### 10.1 Composition and operation (as per Article 123-bis, paragraph 2, letter d) of the CFA)

In accordance with the combined provisions of Article 2.2.3, paragraph 3, letter o) of the Stock Exchange Regulation, applicable to issuers with shares traded on the Italian Stock Exchange, STAR segment, as well as in accordance with the provisions of the Code, the Board of Directors internally set up a Control, Risks and Sustainability Committee.

Board of Directors motion of June 18, 2020 appointed as members of the Control, Risks and Sustainability Committee:

Chairperson	Simona Heidempergher (*)
Member	Francesco Profumo
Member	Ilaria Maria Dalla Riva

(\*) Person with adequate accounting, financial and risk management knowledge and experience, as reviewed by the Board of Directors meeting of June 18, 2020.

On August 28, 2020, the Board of Directors supplemented the functions of the committee on sustainability issues by approving the new Committee Rules.

The meetings of the Control, Risks and Sustainability Committee were coordinated by its Chairperson and duly recorded in the minutes; the Chairperson of the Board of Statutory Auditors and at least one other member of the Board of Statutory Auditors attended these meetings.

In 2022, the Committee met seven times; the average duration of meetings was of approximately an hour and all Committee members attendance was 100%.

In 2023, the Committee has already held three meetings - on February 9, March 8 and March 16.

## 10.2 Functions assigned to the committee and activities carried out

The Regulations for the functioning of the Control, Risks and Sustainability Committee was updated during 2020, in particular for the inclusion of the functions relating to sustainability, and approved by the Board of Directors on August 28, 2020.

The Regulations were subsequently updated, also to align them where necessary with the provisions of the new Corporate Governance Code, and approved by the Board of Directors on February 17, 2021.

In accordance with the Committee regulation, it supports the Board of Directors, with appropriate investigative activity, in their assessments and decisions concerning the Internal Control and Risk Management System, and with regards to the approval of the periodic financial reports.

The Committee also assists the Board of Directors with regard to its duties concerning (i) the drawing up of the Internal Control and Risk Management System guidelines, so as to ensure that the principal risks concerning the Company and its subsidiaries may be correctly identified, adequately measured, managed and monitored, establishing the basis for whether such risks are compatible with a sound and correct management of the company according to the identified strategic objectives; (ii) the periodic verification, undertaken at least annually, upon the adequacy and efficacy of the internal control and risk management system according to the specific characteristics of the Company and the risk profile assumed; (iii) the description, in the corporate governance report, of the principal characteristics of the internal control and risk management system and the means for co-ordination among the parties involved, to assess its adequacy; (iv) the assessment, having consulted the Board of Statutory Auditors, of the results of the Independent Auditors' Report and any letter of recommendations and in the report of fundamental questions established during the audit; (v) the management of risks from impacting events which the Board becomes aware of, supporting, through appropriate investigative actions, the assessments and decisions of the Board of Directors, (vi) the approval, at least annually, of the work plan drawn up by the Internal Audit Manager, having consulted the Board of Statutory Auditors and the Director in charge of the Internal Control and Risk Management System.

The Control, Risks and Sustainability Committee in accordance with the Self-Governance Code, in assisting the Board of Directors:

- (i) evaluates, together with the Executive Officer for Financial Reporting and having consulted the independent audit firm and the Board of Statutory Auditors, the correct application of the accounting standards and their uniformity for the preparation of the consolidated financial statements;
- (ii) defines the control mechanisms to verify compliance with the duties allocated and periodically monitors their functioning, reporting in a timely manner any irregularities to the Board of Directors;
- (iii) expresses opinions on specific aspects concerning the identification of the principal corporate risks;
- (iv) examines the periodic reports, concerning the assessment of the Internal Control and Risk Management System, and those of particular importance, prepared by the Internal Audit Department;
- (v) monitors the independence, adequacy, efficacy and efficiency of the Internal Audit department;
- (vi) may request the Internal Audit department to carry out verifications on specific operational areas, simultaneously communicating such to the Chairperson of the Board of Statutory Auditors;
- (vii) reports, at least every six months, on the approval of the annual and half-year accounts, to the Board of Directors on the work carried out and on the adequacy of the Internal Control and Risk Management System;
- (viii) expresses opinions on the appointment, revocation, remuneration and budget made available to the Internal Audit Manager;
- (ix) carries out additional duties assigned by the Board of Directors;

The Committee, in exercising its duties, may access the information and departments necessary to complete their tasks, as well as utilise, at the expense of Aquafil and to the extent of the budget approved by the Board of Directors, outside consultants where their independence of judgment is not affected.

Other duties assigned to the Control, Risks and Sustainability Committee functions are set out in paragraph 12 below, including the assigned duties of the Related Parties Committee under the Procedure for Related Party Transactions.

On March 8 and March 15, 2022, the Committee assessed the correct utilisation of the accounting policies and their uniformity in the preparation of the financial statements for the period and planned the constant review of the advancement of the projects for the

review of the organisation systems and models of the Group, of the Internal Control and Risk Management System as well as in this context, the completion of the 2021 audit plan and the compliance controls undertaken in accordance with Law 262/2005 and Legislative Decree No. 231/2001 and subsequent amendments.

During the meetings held the Committee discussed the most appropriate initiatives in relation to its own remit and functions, within a progressive improvement of the Internal Control and Risk Management System in order to ensure maximum efficiency and security of the system.

The meetings of the Committee will largely be undertaken simultaneously with the meetings of the Board of Statutory Auditors of the Issuer and in the presence of the members of the Board of Statutory Auditors, of the Executive Officer for Financial Reporting and the Internal Audit Manager and, where beneficial, also with the participation of a representative from the independent audit firm. The presence of these control and oversight bodies is expected to permit the communication and discussion of the principal aspects relating to the identification of the business risks.

In the carrying out of its functions, the Committee has and will have full access to the information and to the corporate functions necessary for the carrying out of its remit.

## **11. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM (AS PER ARTICLE 123-BIS, PARA. 2, LETTER 3) OF THE CFA)**

The Internal Control and Risk Management System is the set of rules, procedures and organisational structures aimed at facilitating, through an adequate process of identification, measurement, management and monitoring of the main risks, a sound and correct management consistent with the established goals.

An effective Internal Control and Risk Management System contributes to ensuring the protection of corporate assets, the efficiency and effectiveness of business operations, the reliability of financial reporting and compliance with laws and regulations.

This system allows managers to have on a regular and timely basis a sufficient overview of the economic and financial situation of the Company and of the main companies of the Group and soundly and correctly facilitates: *(i)* the monitoring of the main key performance indicators and risk factors that relate to the Company and to the main Group companies; *(ii)* the collection of data and information with particular reference to financial information, in adequate quantities for analysis according to type of business activity, organisational complexity and specificity of the information needs of management; *(iii)* the development of prospective financial data for the business plan and the budget, as well as for the verification of the meeting of business objectives through an analysis of variances.

In 2022 the Board of Directors, among other issues:

- approved the work plan drawn up by the Internal Audit Manager, after review by the Board of Statutory Auditors and the Director in charge of the Internal Control and Risk Management System (Director in charge);
- assessed, having consulted the Board of Statutory Auditors, the results presented by the independent audit firm.

In the exercise of these functions, the Board of Directors shall be supported by the Director in charge of the Internal Control and Risk Management System and the Control, Risks and Sustainability Committee.

On December 7, 2017, the Board of Directors approved the guidelines of the Executive Officer for Financial Reporting in compliance with Law 262/05, together with the procedure for collecting the related internal representations on behalf of the companies of the Group.

At the Reporting date, the Issuer had completed the drafting and formulisation of the company policies to guarantee compliance with the applicable regulation.

At the Reporting date, the Company:

- had renewed the following certifications:  
*for the BCF sector:*
  - REACH (Letter Conformity REACH);
  - ECONYL® Product Certificate (certification body: DNV);
  - ISO 14001: 2004;
  - ISO 9001: 2008 (Aquafil Quality management system);

- ISO 9001: 2008 (Quality management system / TESSIL4);
- ISO 9001: 2008 (Quality Management System Certificate / Group);
- ECONYL® caprolactam certificate (certification body: DNV);
- OEKO – TEX (Aqualeuna);
- OHSAS 18001:2007;
- EPD\* (ECONYL® polymer);
- EPD\* (ECONYL® yarn (BCF Reprocessed));
- ISO 9001 (AquafilUSA);
- UL 2018 (AquafilUSA);
- ISO 9001:2008 (AquafilAsia Pacific);
- ISO 9001:2008 (Aqualeuna);
- ISO 14001:2004 (Aqualeuna);
- ISO 50001:2011 (Aqualeuna);
- ISO 9001:2008 (Aquafil Jaxing English language);
- ISO 9001:14001 (Aquafil Jaxing English language);
- OHSAS 18001:2007 (Aquafil Jaxing English language);
- OEKO – TEX (standard 100);

*for the NTF sector:*

- REACH (Letter Conformity REACH);
- ECONYL® Product certificate (certification body: DNV);
- ISO 14001 (AquafilSLO entire facility);
- Responsible care, AquafilSLO – Ljubljana (certification body: ICCA);
- OEKO - TEX Standard 100 Aquafil (standard 100);
- EPD \* (ECONYL® polymer);
- EPD \* (ECONYL® yarn);
- ISO 14001\_2004 (AquafilCRO d.o.o.);
- ISO 50001\_2011 (AquafilCRO d.o.o.);
- IQNet SR 10:2015 – Social Responsibility Management System (AquafilCRO d.o.o.);
- OHSAS 18001:2007 (AquafilCRO d.o.o.);
- OEKO – TEX (standard 100 AquafilSLO);
- OEKO TEX Standard 100 Aquafil S.p.A. ECONYL® (ECONYL® yarns);
- confirmed the adoption of the Code of Conduct and ensures the continual update of its Organisational and Management Model, with reference to the prevention of offences as per Legislative Decree No. 231/01 and subsequent amendments, under the constant guidance of the Supervisory Board in office;
- completed a comprehensive risk assessment activity with the support of an external consulting firm, as well as the IT Risk Management assessment and IT risk analysis.

One of the main elements of the Internal Control and Risk Management System is the internal control of the financial disclosure process. This aims to ensure integrity, accuracy, reliability and timeliness in the preparation and communication of disclosure (including financial).

Moreover, the strengthening of the Internal Control and Risk Management System continued in 2022. This process comprised the following macro-elements:

- definition of the procedures and risk control matrices for each business process for each Company falling within the consolidation scope;
- identification of corrective actions, follow-ups and reporting - definition and sharing of corrective actions with the management, assessment of the effective implementation of the same, preparation of reports to the Executive Officer for Financial Reporting and for the supervisory and control bodies;
- updating of the 262 Model and related documentation, on the basis of corporate, organisational and procedural changes made;
- self-evaluation process to seek to capitalise on the contingency experience gained during the emergency phase of the pandemic.

The methodology followed for designing and for carrying out checks concerning the 262 Model were in line with best international practice and shall ensure full traceability in its implementation.

With reference to the identification and assessment of financial reporting risks, the Issuer carries out its analyses and audit activities on subsidiaries with levels of revenue and balance sheet assets in excess of a threshold of predefined materiality, as well as on the management of intercompany transactions. Following qualitative considerations, routine analyses and audits are performed also on other subsidiaries, regardless of their quantitative contribution to the consolidated financial statements.

The risks, measured and evaluated according to best practices in the field of international risk assessment, cover the operational processes relating to general accounting entries and the estimates and financial statement declarations, with a view to prevent errors of accuracy and completeness and to prevent fraud. The assessment of the 'inherency' of the risks is qualitative and is performed both with regard to the materiality and the nature of the accounting entries and with regard to the frequency of the operational processes.

In relation to the identification and the assessment of controls for identified risks, the 262 Model considers preventive, investigative and second level controls on processes relating to accounting entries and on the estimates. The assessment of the adequacy and effectiveness of controls to mitigate risks shall be qualitative, based on the outcome of the checks carried out in the course of the 262 Model monitoring activities.

The monitoring activities are concentrated on the operational processes relating to the material accounting items, which are identified annually via a preliminary scope analysis. In addition, ad-hoc checks were carried out on activities relating to accounts closures and consolidation entries, which the Company documented and which were allocated in terms of responsibilities and authorised via a dedicated computer program in order to guarantee completeness and accuracy of information.

The Executive Officer and the Internal Audit Manager report periodically to the Control, Risks and Sustainability Committee, the Board of Statutory Auditors and to the Director in charge of the Internal Control and Risk Management System and, to the extent of its remit, to the Supervisory Board concerning the management of the 262 Model, expressing an assessment of the adequacy of the administrative and accounting control system and corrective actions to be implemented.

The Board of Directors periodically monitors the adequacy of the Internal Control and Risk Management System in relation to the requirements of the business, as well as its efficiency, based on the periodic report received from the Director in charge of the Internal Control and Risk Management System, of the Control, Risks and Sustainability Committee, of the Internal Audit Manager, of the Supervisory Board and of the Board of Statutory Auditors.

## 11.1 Director in charge of the internal Control and Risk Management System

As part of the structuring and strengthening of the risk management and control system, on June 18, 2020, the Board of Directors confirmed Adriano Vivaldi as the Director responsible for the establishment and maintenance of an effective Internal Control and Risk Management System (the **Director in charge of the Internal Control and Risk Management System**) (who has since left office) also considering the provisions of the Code.

## 11.2 Internal Audit Manager

On August 28, 2020, having consulted with the Control, Risks and Sustainability Committee and the Board of Statutory Auditors, the Board of Directors confirmed Barbara Dalla Piazza as Internal Audit Manager pursuant to the Self-Governance Code.

At the Reporting date, the internal audit function:

- fully implemented the activities set out in the 2022 Audit Plan, as approved by the Board of Directors in the meeting of March 15, 2022, with prior review by the Control, Risks and Sustainability Committee and the Director in charge of the Internal Control and Risk Management System and, among others, carried out direct and specific control activities within the Issuer and the most significant Group companies, in order to uncover any deficiencies in the Internal Control and Risk Management System in the various risk areas; the internal audit manager also audited and assessed the suitability, efficiency and the effective functioning of the internal control and risk management system on an ongoing basis in relation to specific needs and in compliance with international standards;
- prepared periodic reports containing sufficient information on activities, on the manner in which risk management is carried out, as well as compliance with defined plans for their containment, for the purposes of the appropriateness of the Internal Control and Risk Management System; these reports were sent to the Director in charge of the Internal Control and Risk Management System,

the Chairperson of the Board of Statutory Auditors, the Chairperson of the Control, Risks and Sustainability Committee and, where required in relation to events under examination, to the Chairperson of the Board and the Supervisory Board;

- prepared the 2022 Audit Plan, approved by the Board of Directors meeting of March 15, 2022, with prior review by the Control, Risks and Sustainability Committee, the Director in charge of the Internal Control and Risk Management System and consulted with the Board of Statutory Auditors.

In particular, the internal audit manager, carried out the verifications on the Internal Control and Risk Management System, in line with the audit plan and undertaking the follow up activities (in particular with reference of the controls in compliance with the provisions of Law 262/2005 and Legislative Decree No. 231/2001).

In addition, during the Reporting Period, the results of the audit activities were analysed, discussed and shared, between the internal audit function, the head of the processes/departments involved from time to time and management of the Company in order to agree upon and undertake appropriate preventative/corrective action, whose realisation was constantly monitored until their complete execution.

The remuneration of the Internal Audit Manager was determined in accordance with company policies. The Board ensures that the Internal Audit Manager has adequate resources for the undertaking of his/her duties.

### **11.3 Organisational model as per Legislative Decree No. 231 of 2001**

The Issuer's Board of Directors, at its meeting of November 13, 2020, approved amendments to the Organisation, Management and Control Model comprising the Code of Conduct, the General Part, the Special Parts and the Governance System.

The Model provides for policies and measures to guarantee the performance of activities in accordance with law and to identify and eliminate situations of risk, as well as for a system of prevention designed to mitigate offence risk that is consistent with the organisational structure and with best practice.

It comprises a General Section and 1 Special Section (with 13 subsections).

In particular, the Special Sections clarify the nature and the possible ways of committing the types of Relevant Offences identified in the Risk areas, as well as the specific organisational controls implemented to prevent their commission.

Forming an integral part of the Model are the following documents attached thereto: (i) the Supervisory Board Regulation; (ii) the Governance System and (iii) the Code of Conduct.

The Code of Conduct is an integral part of the Model. It sets ethical principles and prescriptive rules of conduct for employees and other addressees, contributing to establish an appropriate control environment to ensure that the Issuer's activity is always based on the principles of fairness and transparency and to reduce the risk of the offences covered under Legislative Decree No. 231/2001 and subsequent.

The requirement for exemption from administrative liability has led to the establishment of a Supervisory Board within the Issuer, which has independent powers of initiative and control, with the task of: (i) monitoring the effectiveness of the model, which is embodied in the verification of consistency between actual conduct and the model established; (ii) conducting the examination of the adequacy of the model, or rather its real capacity to prevent, in principle, undesirable conduct; (iii) carrying out an analysis of the maintenance over time of the soundness and functionality of the Model; (iv) ensuring the necessary dynamic update of the Model, through the formulation of specific suggestions, in the event that analyses performed require corrections and adjustments; (v) carrying out the so-called "follow-up", or rather verifying the implementation and the functionality of the solutions proposed.

On November 13, 2020, the Board of Directors renewed the appointment of the Supervisory Board for 3 years, composed of three members, in the persons of Fabio Egidi, external member, as Chairperson; Marco Sargenti, external member; and Karim Tonelli, internal member.

On September 30, 2022, Mr. Marco Sargenti resigned from the Supervisory Board for personal reasons. The Board of Directors appointed Mr. Michele Pansarella in his place on November 8, 2022, effective until the conclusion of the current Board's term. The current members of the Supervisory Board are therefore Mr. Fabio Egidi as Chairperson, Mr. Michele Pansarella as external member, and Mr. Karim Tonelli as internal member.

On March 16, 2023, the Supervisory Board presented a report to the Board of Directors on the controls and checks performed in the reference Year and their outcome.

In 2022, the Supervisory Board met six times, and also held meetings for training purposes.

The offences covered by the Issuer's model are in line with current law and in particular the Model was latterly updated at the Board meeting of November 13, 2020 with the inclusion, among others, of fiscal offences.

The Model introduces an adequate system and sanctioning mechanisms for conduct in violation.

The Code of Conduct and Model may be consulted on the company website [www.aquafil.com](http://www.aquafil.com) in the *Corporate Governance/Documents* section.

## 11.4 Independent Audit Firm

On January 30, 2018, the Shareholders' Meeting of Aquafil, *inter alia*: (i) approved, pursuant to Article 13 of Legislative Decree No. 39/2010 and Article 7 of the Regulation adopted with Ministerial Decree No. 261/2012, the mutual resolution of the audit appointment of KPMG S.p.A. for 9 years of which the last for the year ended December 31, 2024; and (ii) simultaneously appointed Pricewaterhousecoopers S.p.A. (**PwC**) for the duration of nine years (from 2017 to 2025), in accordance with Article 13 of Legislative Decree No. 39/2010.

Therefore, the audit for the 2017-2025 period was awarded to PwC S.p.A.

## 11.5 Executive Officer for Financial Reporting

In accordance with Article 16 of the By-Laws, the Board of Directors appoints, upon obligatory approval of the Board of Statutory Auditors, the Executive Officer for Financial Reporting pursuant to Article 154-*bis* of the CFA, providing him/her with adequate means and powers to carry out the role.

On June 18, 2020, the Board of Directors of the Issuer confirmed Mr. Sergio Calliari (Issuer employee in the role of Group Administration Director) as the Executive Officer for Financial Reporting as per Article 154-*bis* of the CFA.

The Executive Officer for Financial Reporting must be of a professional standard such as to have qualified experience of at least three years in the exercise of administration and control activities, or in executive or consultancy functions, with listed companies and/or relative groups of companies, or companies, entities and enterprises of large and significant size, including the preparation and control of accounting and corporate documents. The Executive Officer must also meet the requirements of good standing as provided for Statutory Auditors by the applicable legal provisions.

The Executive Officer has the primary duty to design, manage and monitor the processes concerning, in particular, administrative-accounting information flows, including automatic data processing and accounting recording systems, also to provide — in the legally and regulatory required forms — the declarations on their adequacy and effective application.

The Executive Officer, in addition, is required to identify and assess the financial disclosure risks, identify and implement the required controls to mitigate the possibility that these risks occur and monitor and assess the effectiveness of the controls within a risk management and internal control system, in relation to the financial disclosure process, which is adequate and functioning.



As per Article 154-*bis* of the CFA, the Executive Officer is required to: *(i)* declare that the deeds and communications of the Issuer communicated to the market and concerning accounting disclosure (including interim) of the Issuer corresponds to the underlying accounting records and entries; *(ii)* prepare appropriate administrative and accounting policies for the drafting of the statutory and consolidated financial statements, in addition to any other communications of a financial nature; and *(iii)* jointly with the Chief Executive Officer declare through a specific report attached to the statutory financial statements, the condensed half-year financial statements and the consolidated financial statements, among others, the adequacy and effective application of the procedures at point *(ii)*, during the period to which the documents refer and declare, in addition, the correspondence of such to the accounting records and entries and their suitability to provide a true and fair view of the Company's financial statements and any companies included in the consolidation, assigning for this purpose the following powers:

- (a) full access to all information considered relevant for the execution of duties, both at the Company and at any parent companies;
- (b) attend the meetings of the Board of Directors concerning matters within their scope;
- (c) faculty for dialogue with all administrative and control boards of the Company and the subsidiaries;
- (d) faculty to approve company policies with an impact on the financial statements, on the consolidated financial statements or on other documents requiring certification;
- (e) involvement in the design of IT systems impacting the Company financial statements;
- (f) the possibility to utilise IT systems.

In order to permit the Board of Directors to properly execute its supervisory powers, the Executive Officer should, in addition, report at least quarterly to the Board with regards to activities carried out, in addition to any emerging critical issues.

The Executive Officer is provided with all the necessary powers and means for the execution of his duties.

The Executive Officer, together with the Chief Executive Officer, has the duty to provide instructions also to the subsidiaries belonging to the Group, to ensure adoption of all provisions, administrative and accounting procedures and all other acts and measures necessary for the correct drafting of the consolidated financial statements, in addition to all measures communicated by the Executive Officer in accordance with Law No. 262/05, which ensures the maximum reliability of information flows to the Executive Officer and concerning the preparation of the financial statements.

## 11.6 Coordination of the parties involved in the Internal Control and Risk Management System

The coordination procedures put in place by the Issuer between the different parties involved in the Internal Control and Risk Management System guarantee an efficient and effective coordination and sharing of information between the bodies involved. In particular:

- the Internal Audit Manager Ms. Barbara Dalla Piazza maintains periodic communication with the other corporate bodies and structures with oversight and monitoring functions upon the Internal Control and Risk Management System, such as the Executive Officer, the Supervisory Board as per Legislative Decree No. 231/01 and the independent audit firm, each within their respective scopes and responsibilities;
- the participation of the Internal Audit Manager at the meetings of the Supervisory Board and at the meetings of the Control, Risks and Sustainability Committee enables the internal audit function to maintain adequate visibility of pressing company risks and managed by the Group and of issues emerging and brought to the attention of the various oversight and control boards;
- the Board of Statutory Auditors maintains periodic communication with the Board of Directors and with the Control, Risks and Sustainability Committee. In particular, the Chairperson and at least one member of the Board of Statutory Auditors always attend the meetings of the Control, Risks and Sustainability Committee; the Board of Statutory Auditors also meets periodically (during its meetings or jointly with the Control, Risks and Sustainability Committee) with the Internal Audit Manager, the Supervisory Board and the independent audit firm;
- the members of the Supervisory Board may attend, on invitation, the meetings of the Board of Directors and the Control, Risks and Sustainability Committee, reporting half-yearly on the activities undertaken;
- the independent audit firm attends, where invited, the meetings of the Control, Risks and Sustainability Committee so as to be constantly up to date on activities and on that decided by the Committee, and also for the purposes of reporting on planning and on the outcome of audit activities.

## 12. DIRECTORS' INTERESTS AND RELATED PARTY TRANSACTIONS

### 12.1 Composition and appointment

#### 12.1.1 Composition and operation (as per Article 123-bis, paragraph 2, letter d) of the CFA)

The Board of Directors allocated these functions to the Control, Risks and Sustainability Committee.

The meetings of the Control, Risks and Sustainability Committee are coordinated by its Chairperson and minutes of the meetings are kept. The Chairperson regularly provided information on the meetings held by the Committee at the next Board of Directors' meeting.

The Chairperson of the Board of Statutory Auditors and at least one other member of the Board of Statutory Auditors always attended the Committee meetings.

In 2022, the Control, Risks and Sustainability Committee met four times to serve as the Related Party Transactions Committee, on March 8, May 12, August 26 and August 30.

#### 12.1.2 Functions assigned to the Control, Risks and Sustainability Committee with regards to Related Party Transactions and activities carried out

At the Reporting date, the Related Party Transactions Committee executed its functions in compliance with the Procedure for Related Party Transactions.

In particular, the Related Party Transactions Committee, in the undertaking of its duties, reviewed the relationships and transactions with related parties which existed prior to the Merger and took note of these.

### 12.2 Related party transactions policy

On September 12, 2017, the Board of Directors approved a draft of the Procedure for Related Party Transactions, in accordance with Article 2391-bis of the Civil Code (with effect from the Effective Merger Date). In line with that established by the Related Parties Regulation, a draft of this policy, subsequent to the Effective Merger Date, was submitted to the Control and Risks Committee (in execution of its role as the Related Parties Committee), which issued a favourable opinion upon the policy, which was thereafter definitively approved by the Board of Directors on December 7, 2017.

On January 30, 2018, the Shareholders' Meeting also approved an amendment to the By-Laws which is functional to incorporate Consob indications regulating Related Party Transactions.

The Procedure for Related Party Transactions and its annexes, as applied by the Issuer, can be consulted on the Issuer's website at [www.aquafil.com](http://www.aquafil.com) in the *Corporate Governance/Procedures and Regulations* section, also as amended by the Board motion of May 11, 2021, in light of the amendments to the Consob Related Party Transactions Regulation, passed with Consob Resolution No. 21624 of December 11, 2020.

### 13. APPOINTMENT OF STATUTORY AUDITORS

In accordance with Article 17 of the By-Laws, the Board of Statutory Auditors comprises three Statutory Auditors and two Alternate Auditors, appointed by the Shareholders' Meeting on the basis of slates presented by shareholders.

As per Article 17 of the By-Laws, shareholders may present a slate for the appointment of Statutory Auditors who, alone or together with other presenting shareholders, hold a percentage in the share capital at least equal to that determined by Consob in accordance with applicable legislation and regulations (which for the Company, for 2022, was 2.5% of the share capital for such purposes referring to the share capital represented by listed shares). Ownership of the minimum shareholding is determined according to the shares that are registered in favour of the shareholder on the day in which the slates are filed with the Issuer; certification can also be presented subsequent to the filing provided that it is within the deadline for the publication of the slates.

Slates are filed at the registered office in accordance with applicable law, at least twenty-five days prior to the date of the Shareholders' Meeting called to approve the election of the Statutory Auditors. The slates must be made available to the public by the Company at least twenty-one days prior to the Shareholders' Meeting in accordance with the manner prescribed by current regulations.

The slates must include the names of one or more candidates for the position of Statutory Auditor and one or more candidates for the position of Alternate Auditor. The names of the candidates are divided between each section (Statutory Auditors section, Alternate Auditors section) by progressive numbering and in any event with a number not exceeding the Board members to be elected. The slates, if they contain, in both sections, a number of candidates equal to or greater than 3, must contain a number of candidates in both sections to ensure that the composition of the Board of Statutory Auditors, both for statutory auditors and alternate auditors, complies with the legal and regulatory provisions that are in force in relation to gender balance (male and female), provided that if the application of the criterion for the gender balance quota does not result in a full number, this should be rounded up to the next unit.

The following documents must be attached to each slate, at the risk of ineligibility: (i) information on the identity of shareholders who have presented them, with an indication of the total percentage of shares held; (ii) a declaration by shareholders other than those who hold, even jointly, a controlling or majority shareholding, attesting to the absence of any relationship with these latter in accordance with applicable law; (iii) detailed information about the personal and professional characteristics of the candidates, as well as a declaration by the candidates certifying that they meet the statutory requirements, and acceptance of the candidature, accompanied by a list of administrative and control positions held with other companies; (iv) any additional or differing declaration, information, and/or documents provided for by applicable law and regulations.

Each shareholder, shareholders who belong to the same group of companies, as well as shareholders involved in a shareholder agreement in accordance with Article 122 of Legislative Decree No. 58/1998, may not present or participate in presenting, even through a nominee or trust company, more than one slate nor can they vote for differing slates; in addition, each candidate may be present in only one slate, at the risk of ineligibility.

In the case where only one slate is filed at the expiry date of the term for presentation of the slates, or slates are only presented by related shareholders pursuant to the applicable directives, slates can be presented up to the third day subsequent to such date. In this case, the percentage threshold established for the presentation of the slate is reduced by half.

The Statutory Auditors are elected as follows: (i) from the slate that obtained the largest number of votes (Majority Slate) taken in the progressive order in which they appear in the slate, two Statutory Auditors and one Alternate Auditor; (ii) from the slate that obtained the second largest number of votes and are not connected, even indirectly, with the shareholders who presented or voted for the Majority Slate in accordance with the applicable provisions and taken in the progressive order in which they appear on the slate, the third Statutory Auditor will be chosen (Minority Statutory Auditor), who will chair the Board of Statutory Auditors, and the second Alternate Auditor (Minority Alternate Auditor). Should two slates receive the same number of votes, a second vote of the entire Shareholders' Meeting shall decide, with the candidate being elected by means of a simple majority of the votes.

Where the result of voting does not satisfy the applicable gender balance law and regulations that are in force (including the rounding up to the next unit if the application of the criterion for the gender equality quota does not result in a full number), the candidate for the office of Statutory or Alternate Auditor from the over-represented gender elected as last in progressive order from the Majority Slate will be excluded and will be replaced by the next candidate for the office of standing or alternate auditor from the same slate belonging to the other gender.

Where only one slate is presented, the Shareholders' Meeting will vote on that slate and, where this slate receives the majority of the votes, all the Statutory Auditors and Alternate Auditors will be taken from this slate in accordance with the law and regulations in place, including in terms of gender balance (male and female).

The Statutory Auditors are appointed for a period of three years (and may be re-elected), which expires on the date of the Shareholders' Meeting called for the approval of the financial statements relating to the final year in office.

Subject to compliance with the applicable law and regulations in force in relation to gender balance, in cases where, for whatever reason, (i) a statutory auditor from the Majority Slate leaves office, the alternate auditor elected from the Majority Slate will take their place, (ii) a Minority Statutory Auditor leaves office, they will be replaced by the Minority Alternate Auditor. If, for whatever reason, it is not possible to proceed as indicated above, the Shareholders' Meeting must be called in order to supplement the Board through statutory majority, without the application of slate voting, subject to compliance with the applicable law and regulations in relation to the gender balance quotas.

Finally, in the absence of slates, or where it is not possible for whatever reason to appoint the Board of Statutory Auditors with the procedures indicated in this Article, the three Statutory Auditors and the two Alternate Auditors will be appointed by the Shareholders' Meeting through the majority provided for by law, in accordance with the laws and regulations in force also in relation to the gender balance quota.

#### 14. COMPOSITION AND OPERATION OF THE BOARD OF STATUTORY AUDITORS (AS PER ARTICLE 123-BIS, PARAGRAPH 2, LETTER D) OF THE CFA)

On April 28, 2021, the Shareholders' Meeting appointed the following members to the Board of Statutory Auditors of the Company:

Office	Name	Date of appointment
Chairperson	Stefano Poggi Longostrevi	April 28, 2021
Statutory Auditor	Bettina Solimando	April 28, 2021
Statutory Auditor	Beatrice Bompieri	April 28, 2021
Alternate Auditor	Marina Manna	April 28, 2021
Alternate Auditor	Davide Barbieri	April 28, 2021

Mses Bettina Solimando, Beatrice Bompieri and Marina Manna came from the slate filed by the shareholder Aquafin Holding (obtaining 47,429,299 votes, equal to at 89.073% of the voting share capital), while Messrs. Stefano Poggi Longostrevi and Davide Barbieri came from the slate filed jointly by a group of asset management companies and international and domestic institutional investors (obtaining 5,816,633 votes, equal to 10.924% of the voting share capital).

The Board of Statutory Auditors will remain in office until the Shareholders' Meeting called for the approval of the 2023 Annual Accounts.

TABLE 3: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS

Board of Statutory Auditors										
Office	Member	Year of birth	Date first appointment (*)	In office from	In office until	Slate (**)	Ind. Code	Attendance at Board meetings (***)	No. other offices (****)	
Chairperson	Poggi Longostrevi Stefano	1965	January 30, 2018	April 28, 2021	Approv. 2023 Accounts	2	x	100%	16	
Statutory Auditor	Solimando Bettina	1974	January 30, 2018	April 28, 2021	Approv. 2023 Accounts	1	x	100%	17	
Statutory Auditor	Bompieri Beatrice	1968	April 28, 2021	April 28, 2021	Approv. 2023 Accounts	1	x	100%	4	
Alternate Auditor	Manna Marina	1960	January 30, 2018	April 28, 2021	Approv. 2023 Accounts	1	x	N/A	5	
Alternate Auditor	Barbieri Davide	1984	January 30, 2018	April 28, 2021	Approv. 2023 Accounts	2	x	N/A	8	

**Quorum required for the presentation of slates by minority shareholders for the election of one or more standing members (as per Article 148 CFA): 2.5%**

#### NOTES

(\*) The first appointment of each Statutory Auditor refers to the date on which the Statutory Auditor was appointed for the first time to the Board of Statutory Auditors of the Issuer.

(\*\*) This column indicates the slate from which each Statutory Auditor originated ("M": Majority Slate; "m": Minority Slate).

(\*\*\*) This column indicates the percentage of attendance of the Statutory Auditors in relation to the number of meetings of the Board of Statutory Auditors (indicates the number of meetings attended compared to the amount they could have attended; e.g. 6/8; 8/8 etc.).

(\*\*\*\*) This column indicates the number of offices of Director or Statutory Auditor in accordance with Article 148-bis of the CFA and the relative enacting provisions in the Consob Issuers' Regulation. The complete list of offices held is published by Consob on its website pursuant to Article 144-quinquiesdecies of the Consob Issuers' Regulation.

Meetings of the Board of Statutory Auditors may be held with participants located in several places, near or far, linked by audio or video, provided that: *(i)* the Chairperson of the meeting is able to verify the identity and the legitimacy of the participants, direct the proceedings of the meeting and witness and announce the results of the vote; *(ii)* the person taking the minutes is able to adequately observe the events of the meeting that is to be minuted; *(iii)* the participants are able to follow the discussion and vote simultaneously on the matters on the Agenda, as well as view, receive or transmit documents. If all the aforementioned conditions are complied with, the meeting shall be deemed to have been held in the place where the Chairperson is present and where the secretary of the meeting must be present, to permit the minute-taking of the meeting (subject to specific exceptions provided for by the law in connection with the COVID-19 pandemic).

In 2022, the Board of Statutory Auditors held 14 meetings (including individual meetings and meetings in joint session with the Control, Risks and Sustainability Committee), on January 18, February 9, March 8, March 15, March 23, March 25, May 12, July 22, August 26, August 30, October 5, November 8 and November 23. The average duration of meetings was approximately two hours, with 100% attendance by all members.

At the meeting of March 16, 2023, the Board of Statutory Auditors assessed the correct application - by the Board of Directors - of the procedures to assess the independence of the Independent Directors according to the Code.

In addition, on March 16, 2023, the Board of Statutory Auditors also assessed the independence of its members, already assessed on appointment, and also in accordance with the requirements for independence of Directors by the Self-Governance Code, while also undertaking its self-evaluation. The result of these evaluations was communicated to the Board of Directors in the Board meeting of March 16, 2023 and announced to the market through the publishing of this Report, available on the company website [www.aquafil.com](http://www.aquafil.com).

The Board of Statutory Auditors reviewed and shall review the independence of the independent audit firm, ensuring compliance with regulatory provisions, and the nature and extent of the various services provided to the Issuer and its subsidiaries by the Audit Firm and its network.

The Board of Statutory Auditors has constantly maintained normal coordination initiatives with the Control, Risks and Sustainability Committee, the Internal Audit Department and the Supervisory Board, as well as meeting periodically with the independent audit firm. For information on the manner of the coordination reference should be made to paragraph 11.6.

Legislative Decree No. 39/2010 ("Implementation of EU Directive No. 43/2006, relating to the audit of separate and consolidated annual accounts, which modifies EU Directive 78/660 and EU Directive 83/349, and which revokes EU Directive 84/253) attributed to the Board of Statutory Auditors the functions of the Internal Control and Audit Committee and, in particular the oversight functions on *(i)* the financial disclosure process; *(ii)* the efficiency of the internal control system, internal audit, where applicable, and risk management; *(iii)* the audit of the separate and consolidated annual accounts; *(iv)* the independence of the independent audit firm, in particular in relation to non-audit services by the party providing audit services.

For the entire duration of the admission to trading of the Company's shares on an Italian regulated market, the Board of Statutory Auditors in addition exercises all other duties and powers established by the special laws; with regards to mandatory reporting, the Directors are required to report on a quarterly basis, in accordance with Article 150 of the CFA.

The Chairperson of the Board of Directors ensured that the Statutory Auditors received adequate information on the sector in which the Issuer operates, on the business operations and their performances, of the principles of correct risk management as well as the relative regulatory framework. In particular, during the Board meetings held at the headquarters of the Company, the Statutory Auditors regularly received detailed information on the sector in which the Issuer undertakes its activities, in order to fully understand the underlying business operations and the relative developments during the year.

We also note that during the first visit of the new members of the Board of Statutory Auditors to the Company's headquarters, the Statutory Auditors of Aquafil were able to make an extended visit to the Arco (Trento) production facility in order gain adequate knowledge of the sector in which the Issuer operates, in addition to company and production dynamics.

The remuneration of the Statutory Auditors is commensurate with the commitment required, the importance of the role covered, in addition to the size and sector of the Company.

The Issuer does not provide a specific obligation for the Statutory Auditors to promptly inform the other members of the Board of Statutory Auditors and the Chairperson of the Board on the nature, terms, origin and size of their interest, where the Statutory Auditor

have, on their own behalf or on behalf of third parties, an interest in a transaction of the Issuer; this is due to the fact that the Issuer considers this disclosure information a normal duty for the parties which hold the position of Statutory Auditor.

In accordance with the By-Laws, the Chief Executive Officer shall report adequately and promptly to the Board of Directors and the Board of Statutory Auditors on the activities undertaken, on the general operating performance and outlook, as well as on major operations for their size or nature by the Issuer and its subsidiaries, in accordance with the provisions of law and the By-Laws, and therefore on a quarterly basis.

## 15. Relations with Shareholders

The disclosure with shareholders is ensured by making available the most relevant corporate documents in a timely and continuous manner on the Issuer's website [www.aquafil.com](http://www.aquafil.com) in the *Investor Relations*, *Corporate Governance* and *News&Media* sections and, where required by the applicable regulations, on the authorised storage mechanism eMarket STORAGE at [www.emarketstorage.com](http://www.emarketstorage.com).

In particular, all press releases issued to the market and the Issuer's periodic financial reports are available on the aforementioned website as soon as they have been approved by the corporate bodies (annual report, interim report, quarterly report).

Also available on the aforementioned website are the main Corporate Governance documents, the Organisation, Management and Control Model in accordance with Legislative Decree No. 231/2001 and subsequent and the Code of Conduct.

In accordance with the Code, relations with institutional investors are managed by the Investor Relator.

The duty of the Investor Relator is to constantly ensure that senior management are updated on the financial market disclosure obligations and, in particular, those concerning investors.

The Investor Relator represents, therefore, the point of contact between the Issuer and the market and has the duty to liaise with company structures to maintain and incentivise compliance with corporate disclosure regulations. Investor relation activities are shared with and supported by management.

On June 18, 2020, the Board of Directors confirmed Mr. Karim Tonelli as Aquafil's Investor Relator (contact: [investor.relations@aquafil.com](mailto:investor.relations@aquafil.com)), for the maintenance of relations with shareholders and institutional investors and to undertake any specific tasks for the management of price sensitive information and relations with Consob and Borsa Italiana.

The Board of Directors will assess the implementation of any further initiatives to ensure shareholders more timely and straightforward access to essential information upon the Issuer.

### INVESTOR COMMUNICATION POLICY

On November 11, 2021, on the proposal of the Chairperson and Chief Executive Officer, the Board of Directors approved the Investor Communication Policy, as per the recommendations of the Corporate Governance Code.

The Policy is available on Aquafil's website at [www.aquafil.com](http://www.aquafil.com) in the "Investor Relations" section. The contents of the Policy are summarised below.

Aquafil believes that the definition, development and maintenance of open, transparent and ongoing dialogue with all shareholders and investors creates significant benefits both for investors — understood as current and potential shareholders — and to the Company, with a view to fostering the creation of value over the medium-long term.

Aquafil has therefore adopted an Engagement Policy, the purpose of which is to regulate Dialogue between the Board of Directors and Stakeholders on matters falling within the Board's remit, identifying the persons involved, topics to be discussed, timing and channels of interaction.

Pursuant to the Policy, in managing Dialogue the Company will operate in compliance with the principles of transparency and equal treatment, with the provisions of the applicable Law and regulations (including those concerning the handling of Sensitive Information) and with its internal governance rules.

The areas covered by the Policy, and therefore by the Dialogue are, in particular:

- a) the business plan;
- b) risk management and the Internal Control and Risk Management System;
- c) the corporate governance system;
- d) transactions announced or carried out by the Group that have significant strategic, economic, capital or financial importance;
- e) appointment and composition of the corporate bodies;
- f) the remuneration policy for Directors and Senior Executives;
- g) environmental, social and sustainability issues.

The Policy provides that the Board of Directors is responsible for directing, overseeing, and monitoring the application of this Policy and, in general, the progress and effectiveness of Dialogue. The Board of Directors delegates the management of Dialogue to the Chief Executive Officer and any other Director with delegated powers (the Director in charge of the Internal Control and Risk Management System).

The Investor Relator represents the point of contact with Investors and is responsible for receiving and collecting the requests made by them. Together with the Secretary, he/she co-ordinates the activities and contents of the Dialogue with the respective interlocutors. The Secretary interacts with Stakeholders in co-ordination with the Investor Relator, particularly on issues of corporate governance.

For further details, see the Investor Communication Policy.

## **16. SHAREHOLDERS' MEETINGS (AS PER ARTICLE 123-BIS, PARAGRAPH 2 OF LETTER C) OF THE CFA)**

### **16.1 Shareholders' Meeting call**

As per Article 8 of the By-Laws, the Shareholders' Meeting deliberates upon matters reserved to it by law and the By-Laws. Shareholders' Meeting motions, taken in accordance with law and the By-Laws, are binding on all shareholders. The Shareholders' Meeting takes place in single call.

For the purposes of calculating the quorum required by law and the By-Laws for the holding of an ordinary and extraordinary Shareholders' Meeting and for passing of the relevant motions, the number of votes represented by the shares, and not the number of shares, will be counted. Motions for the amendment of Articles 5.6, 5.8 and 8.3 of the By-Laws are passed with majorities of at least 70% of the total number of votes devolving to the issued shares.

As per Article 8.3 of the By-Laws, the Related Party Transactions Policy of the Company may establish (i) that the Board of Directors approves the "significant transactions", as defined by the RPT Regulation, despite an opinion to the contrary issued by the Independent Directors Committee responsible for issuing an opinion on the aforementioned transactions, provided that the execution of such transactions are authorised by the Shareholders' Meeting in accordance with Article 2364, paragraph 1, No. 5 of the Civil Code. In this case, the Shareholders' Meeting will resolve by statutory majority, provided that, where the unrelated shareholders present at the Shareholders' Meeting account for at least 10% of the voting share capital, considering every ordinary share and every multi-vote share individually, without consideration of the right to multiple votes attributed to the special shares, the majority of unrelated shareholders voting at the Shareholders' Meeting do not vote against.

Pursuant to Article 9 of the By-Laws, the Shareholders' Meeting for the approval of the financial statements must be called by the Board of Directors at least once a year, within one hundred and twenty days from the end of the year or, in the cases provided for by Article 2364, paragraph 2, of the Civil Code, within one hundred and eighty days from the end of the year, pursuant to the provision of Article 154-ter of the CFA.

The Shareholders' Meeting may be called in Italy, even outside the municipality in which the registered office is located, or in other countries of the European Union, in Switzerland or in the United Kingdom.

The Shareholders' Meeting shall be called by publishing a notice on the Company website, in addition to the other manners established by applicable law, and shall contain the information required by applicable law, also by reason of the subjects covered.



As per Article 126-*bis* of the CFA, shareholders who represent, even jointly, at least one-fortieth of the share capital may request - except for matters within the remit of the Board or based on projects or a report prepared by them - within ten days of publication of the Call Notice, or within five days in the case of calling as per Article 125-*bis*, paragraph 3, of the CFA or Article 104, paragraph 2, of the CFA, a supplementation to the matters on the Agenda, indicating in the request the further matters to be included on the Agenda, or present proposals on matters already on the Agenda.

In accordance with Article 2367 of the Civil Code, the Directors shall call without delay the Shareholders' Meeting where requested by shareholders collectively representing at least one-twentieth of the share capital.

Pursuant to Article 127-*ter* of the CFA establishes that shareholders may submit questions on the matters on the Agenda, also before the Shareholders' Meeting. For questions submitted before the Shareholders' Meeting, responses will be made, at the latest, during the Meeting itself. The Company may provide a single reply to questions with the same subject matter. The call notice indicates the deadline by which questions submitted before the Shareholders' Meeting should reach the Company. The deadline may not be more than three days in advance of the Shareholders' Meeting in first or single call, or five days where the call notice establishes that the Company provides, before the Shareholders' Meeting, a response to the questions received. In this case, the responses are provided at least two days before the Shareholders' Meeting, also through publication in a separate section of the company website.

## 16.2 Right to attend Shareholders' Meetings

As per Article 10 of the By-Laws, those with voting rights have a right to attend the Shareholders' Meeting.

The right to attend the Shareholders' Meeting and the right to vote is verified by a notice to the Company, effected by the authorised intermediary in accordance with law, based on the accounting records at the end of the seventh trading day prior to the date fixed for the Shareholders' Meeting in single call, and submitted to the Company in accordance with law.

Those who have the right to vote in the Shareholders' Meeting can be represented by a proxy in accordance with law. Electronic notification of proxy may be made, in the manner indicated in the call notice, by sending a message addressed to the certified email address indicated in the notice itself or by using the appropriate section of the Company's website.

For each Shareholders' Meeting, the Company may designate, through notification in the call notice, a person to whom shareholders can confer proxy, with voting instructions on all or some of the proposals on the Agenda, in the terms and manner provided by law (as per Article 135-*undecies* of the CFA).

## 16.3 Holding of the Shareholders' Meeting

The Shareholders' Meeting shall be chaired by the Chairperson of the Board of Directors, or in such absence or impediment or at the request of the Chairperson him/herself, by another person elected by the Shareholders' Meeting, including the Chief Executive Officer (if elected). The Chairperson shall be assisted by a Secretary elected on his proposal by majority of those present. In the Extraordinary Shareholders' Meeting and, in any case, when the Chairperson considers it appropriate, the functions of the Secretary shall be carried out by a Notary appointed by the Chairperson.

For the valid constitution of the Shareholders' Meeting, both ordinary and extraordinary, and motions thereof, the legal and statutory provisions are applied. For the purposes of calculating the quorum required by law and the By-Laws for the holding - in a single notice - of an ordinary and extraordinary Shareholders' Meeting and for passing of the relevant motions, the number of votes represented by the shares, and not the number of shares, will be counted.

The Shareholders' Meeting may be held in several locations, via audio/video link, on the condition that a collective approach is taken and the principles of good faith and of equal treatment of shareholders are upheld and, in particular, provided that: (a) the Chairperson of the Shareholders' Meeting may (i) ascertain the identity and right to attend of all present, (ii) govern the business of the meeting, in addition to (iii) verify and declare the voting results; (b) the minutes-taker is able to adequately note all the matters pertaining to the Shareholders' Meeting; (c) attendees may participate in the discussions and vote simultaneously on the matters on the Agenda; (d) this method is contained in the call notice of the Shareholders' Meeting which also indicates the locations. The meeting shall be considered to have been held in the place where there are, simultaneously, the Chairperson and the person taking the minutes.

Pursuant to Article 7 of the By-Laws, shareholders may withdraw in accordance with the mandatory cases provided for by law.

The opposition of Shareholders to motions regarding the extension of the duration of the Company or the introduction or the removal of provisions concerning the circulation of shares does not constitute a right to withdrawal.

As per Article 20 of the By-Laws, the net profit for the period, excluding the 5% share allocated to the legal reserve until the reaching of one-fifth of the share capital, is divided among the shareholders, as resolved by the Shareholders' Meeting.

\* \* \*

The Shareholders' Meetings of the Issuer adopted Shareholder Meeting regulations, approved on December 23, 2016 by the Shareholders' Meeting of Space 3. This Shareholders' Meeting Regulation establishes, among other matters, that:

- the Chairperson (the Chairperson of the Board of Directors or, in his/her absence or impediment the person designated by the Shareholders' Meeting) may adopt any provision considered appropriate to ensure the correct execution of Shareholders' Meeting business and the exercise of the rights of participants;
- in the discussion of such matters and proposals, the Chairperson, where a majority of the share capital is not in opposition, may follow a different order of consideration from that stated in the call notice of the meeting and may call for some or all of the matters on the Agenda to be discussed together;
- the Chairperson conducts the discussion, giving the floor to Directors, to Statutory Auditors and any parties so requesting. Those holding the right to vote and the bondholders' joint representative may request the floor on only one occasion for each matter on the agenda, making observations and requesting information. Those persons entitled to vote may also draw up proposals. Requests to contribute may be made from the constitution of the Shareholders' Meeting until the time at which the Chairperson has not declared the discussion of the matter closed. In order to ensure the orderly conduct of the meeting, the Chairperson has the power to determine, at the opening of or during the discussion of individual matters, a deadline for the submission of requests to contribute. The Chairperson establishes the manner in which contribution requests are made and the order in which they are heard. The Chairperson and, on his/her invitation, those assisting him/her respond to speakers at the end of all contributions under discussion, or after each contribution, taking account also of any questions drawn up by shareholders before the Shareholders' Meeting, which have not been responded to by the Company. Those who have requested the floor have the right to a brief reply;
- before voting commences, the Chairperson readmits to the Shareholders' Meeting any persons excluded during the discussion in accordance with the regulation;
- the Chairperson shall decide the order in which the proposals on the individual matters on the Agenda are put to the vote, generally giving priority to those formulated by the Board of Directors.

In 2022, one Shareholders' Meeting was held on April 28, 2022.

With regards to the rights of shareholders not outlined in this Report, reference should be made to the applicable *pro tempore* laws and regulations.

## 17. FURTHER CORPORATE GOVERNANCE ACTIVITIES

At the Reporting date, no additional corporate governance practices effectively applied by the Issuer outside of the obligations established by legislation or regulations exist.

## 18. CHANGES SINCE THE END OF THE REPORTING PERIOD

Since the end of the Reporting Year no changes have been made to the corporate governance structure.

## 19. CONSIDERATIONS ON THE JANUARY 23 LETTER OF THE CHAIRPERSON OF THE CORPORATE GOVERNANCE COMMITTEE

The considerations formulated in the letter of January 25, 2023 of the Chairperson of the Corporate Governance Committee were brought to the attention of the Board of Directors and of the Committees.

These were of particular interest to the Chairperson of the Board of Directors and the Appointments and Remuneration Committee who, respectively, took account of these recommendations during the preparation of the self-evaluation questionnaire and in the meeting of the Board of Directors of February 15, 2023, focusing in detail on the recommendations and invitations contained therein, which centred on the following areas in particular: (i) sustainability of the remuneration of Executive Directors, (ii) the Investor Communication Policy, and (iii) encouraging dialogue with significant stakeholders.

\* \* \*

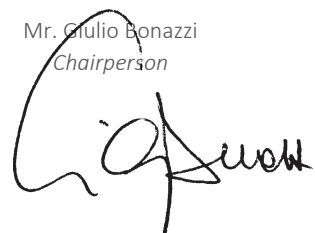
Arco (Trento), March 16, 2023

Aquafil S.p.A.

**Aquafil S.p.A.**

On behalf of the Board of Directors

Mr. Giulio Bonazzi  
Chairperson



Consolidated  
Financial Statements  
at December 31, 2022





# Consolidated Financial Statements at December 31, 2022

## CONSOLIDATED BALANCE SHEET

(in Euro thousands)	Note	At December 31, 2022	At December 31, 2021
Intangible assets	7.1	21,596	23,551
Goodwill	7.2	15,647	14,735
Property, plant & equipment	7.3	247,469	240,489
Financial assets	7.4	831	710
<i>of which parent companies, related parties, associates</i>		318	318
Investments valued at equity	7.4	1,018	1,018
Other assets	7.5	426	626
<i>of which parent companies, related parties</i>		0	0
Deferred tax assets	7.6	11,519	12,269
<b>Total non-current assets</b>		<b>298,506</b>	<b>293,398</b>
Inventories	7.7	260,808	177,243
Trade receivables	7.8	28,553	31,233
<i>of which parent companies, related parties</i>		376	71
Financial assets	7.4	9,964	860
Tax receivables	7.9	580	423
Other assets	7.10	15,862	12,853
<i>of which parent companies, related parties</i>		247	3,152
Cash and cash equivalents	7.11	110,682	152,656
Assets held-for-sale		0	0
<b>Total current assets</b>		<b>426,449</b>	<b>375,268</b>
<b>Total assets</b>		<b>724,955</b>	<b>668,666</b>
Share capital	7.12	49,722	49,722
Reserves	7.12	96,528	91,709
Group net result	7.12	29,151	10,670
<b>Total Parent Company net equity</b>		<b>175,401</b>	<b>152,101</b>
Minority interest net equity	7.12	1	1
Minority interest net profit	7.12	0	0
<b>Total consolidated net equity</b>		<b>175,402</b>	<b>152,102</b>
Employee benefits	7.13	5,192	5,910
Financial liabilities	7.14	285,385	263,421
<i>of which parent companies, related parties</i>		5,262	6,359
Provisions for risks and charges	7.15	1,975	1,929
Deferred tax liabilities	7.6	9,237	11,158
Other liabilities	7.16	8,985	10,813
<i>of which parent companies, related parties</i>		0	0
<b>Total non-current liabilities</b>		<b>310,774</b>	<b>293,231</b>
Financial liabilities	7.14	83,146	69,438
<i>of which parent companies, related parties</i>		2,957	2,240
Current tax payables	7.18	3,630	1,721
Trade payables	7.17	126,840	126,566
<i>of which parent companies, related parties</i>		270	352
Other liabilities	7.16	25,163	25,608
<i>of which parent companies, related parties</i>		230	230
<b>Total current liabilities</b>		<b>238,779</b>	<b>223,333</b>
<b>Total net equity &amp; liabilities</b>		<b>724,955</b>	<b>668,666</b>



## CONSOLIDATED INCOME STATEMENT

(in Euro thousands)	Note	At December 31, 2022	of which non-recurring	At December 31, 2021	of which non-recurring
Revenues	8.1	684,074	1,160	569,701	784
<i>of which related parties</i>		435		52	
Other revenues and income	8.2	13,031	218	4,612	751
<i>of which related parties</i>		0		0	
<b>Total revenues and other revenues and income</b>		<b>697,105</b>	<b>1,378</b>	<b>574,313</b>	<b>1,535</b>
Cost of raw materials and changes to inventories	8.3	(317,815)	(480)	(283,622)	(150)
<i>of which related parties</i>		0		0	
Service costs and rents, leases and similar costs	8.4	(168,472)	(1,581)	(112,567)	(1,820)
<i>of which related parties</i>		(465)		(414)	
Labour costs	8.5	(126,875)	(1,565)	(114,228)	(1,700)
Other costs and operating charges	8.6	(4,038)	(653)	(3,420)	(354)
<i>of which related parties</i>		(70)		(70)	
Amortisation & write-downs	8.7	(47,851)		(44,964)	
Provisions and write-downs	8.8	(222)		(254)	
(Write-down)/recovery of financial assets (receivables)	8.8	42		125	
Increase in internal work capitalised	8.9	5,687		6,099	
<b>Operating Profit</b>		<b>37,561</b>	<b>(2,901)</b>	<b>21,482</b>	<b>(2,489)</b>
Investment income/charges		23		0	
<i>of which related parties</i>		183		0	
Financial income	8.10	4,869		915	
Financial charges	8.11	(8,368)		(7,550)	
<i>of which related parties</i>		(140)		(159)	
Exchange gains/(losses)	8.12	2,783		(243)	
<b>Profit before taxes</b>		<b>36,868</b>	<b>(2,901)</b>	<b>14,604</b>	<b>(2,489)</b>
Income taxes	8.13	(7,717)		(3,934)	
<b>Profit for the year</b>		<b>29,151</b>	<b>(2,901)</b>	<b>10,670</b>	<b>(2,489)</b>
<b>Minority interest net profit</b>		<b>0</b>		<b>0</b>	
<b>Group Net Profit</b>		<b>29,151</b>	<b>(2,901)</b>	<b>10,670</b>	<b>(2,489)</b>
<i>Basic earnings per share</i>	8.15	0.57		0.21	
<i>Diluted earnings per share</i>	8.15	0.57		0.21	

## CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

(in Euro thousands)	Note	At December 31, 2022	At December 31, 2021
<b>Profit for the year</b>		<b>29,151</b>	<b>10,670</b>
Actuarial gains/(losses)		724	(95)
Tax effect from actuarial gains and losses		(81)	23
<b>Other income items not to be reversed to income statement in subsequent periods</b>		<b>643</b>	<b>(72)</b>
Currency difference from conversion of financial statements in currencies other than the Euro		4,957	17,128
<b>Other comprehensive income</b>		<b>5,600</b>	<b>17,056</b>
<b>Total comprehensive income</b>	<b>7.12</b>	<b>34,751</b>	<b>27,726</b>
Minority interest comprehensive income		0	0
<b>Group comprehensive income</b>	<b>7.12</b>	<b>34,751</b>	<b>27,726</b>

## CONSOLIDATED CASH FLOW STATEMENT

(in Euro thousands)	Note	At December 31, 2022	At December 31, 2021
<b>Operating activities</b>			
Profit for the year	7.12	29,151	10,670
<i>of which related parties:</i>		(57)	(591)
Income taxes	7.13	7,717	3,934
Financial (Income)/expenses on investments		(23)	0
<i>of which related parties:</i>		(183)	0
Financial income	7.10	(4,869)	(914)
<i>of which related parties:</i>		0	0
Financial charges	7.11	8,369	7,550
<i>of which related parties:</i>		(140)	(159)
Net exchange gains/(losses)	7.12	(2,783)	243
Asset disposal (gains)/losses		(183)	(210)
Provisions and write-downs	7.8	222	254
Write-downs of financial assets (receivables)	7.8	(42)	(126)
Amortisation, depreciation & write-downs of tangible and intangible assets	7.7	47,851	44,975
<b>Cash flow from operating activities before working capital changes</b>		<b>85,410</b>	<b>66,376</b>
Decrease/(Increase) in inventories	7.7	(83,469)	(26,323)
Increase/(Decrease) in trade payables	7.17	245	57,398
<i>of which related parties:</i>		(82)	(51)
Decrease/(Increase) in trade receivables	7.8	2,722	(9,092)
<i>of which related parties:</i>		(305)	(5)
Changes to assets and liabilities		(4,169)	8,149
<i>of which related parties:</i>		2,905	35
Net paid financial charges		(8,005)	(6,636)
Income taxes paid		(3,840)	(237)
Utilisation of provisions		(2,012)	(587)
<b>Cash flow generated/(absorbed) from operating activities (A)</b>		<b>(13,118)</b>	<b>89,048</b>
<b>Investing activities</b>			
Investments in tangible assets	7.2	(34,864)	(34,632)
Disposal of tangible assets	7.2	384	353
Investments in intangible assets	7.1	(4,163)	(4,977)
Disposal of intangible assets	7.1	132	28
Aquafil Chile and Bluloop Effect		(146)	0
<i>of which fixed assets</i>		(37)	0
<i>of which goodwill</i>		0	0
<i>of which liquidity</i>		0	0
<i>of which current assets</i>		(109)	0
Investments in financial assets	7.4	(160)	(1,018)
Dividends received		183	0
<i>of which related parties:</i>		183	0
<b>Cash flow generated by investing activities (B)</b>		<b>(38,634)</b>	<b>(40,246)</b>
<b>Financing activities</b>			
Drawdown non-current bank loans and borrowings	7.14	94,000	30,000
Repayment non-current bank loans and borrowings	7.14	(53,244)	(123,457)
Net changes in current and non-current financial assets and liabilities (including IFRS 16)	7.14	(9,802)	(2,295)
<i>of which related parties:</i>		(380)	(168)
Non-monetary change IFRS 16	7.3	(9,660)	(6,803)
<i>of which related parties:</i>		(1,828)	(3,095)
Dividends distributed		(6,046)	0
<i>of which related parties:</i>		(3,576)	0
Acquisition of treasury shares	7.12	(5,470)	(2,545)
<b>Cash flow from generated/(absorbed) by financing activities (C)</b>		<b>9,778</b>	<b>(105,100)</b>
<b>Net cash flow in the year (A) + (B) + (C)</b>		<b>(41,974)</b>	<b>(56,298)</b>
Opening cash and cash equivalents	7.11	152,656	208,954
Closing cash and cash equivalents	7.11	110,682	152,656

## STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

	Share capital	Legal reserve	Translation reserve	Share premium reserve	Listing cost reserve	FTA Reserve
(in Euro thousands)						
<b>At December 31, 2020</b>	<b>49,722</b>	<b>665</b>	<b>(25,180)</b>	<b>19,975</b>	<b>(3,287)</b>	<b>(2,389)</b>
Sale minority interest						
Other changes						
Allocation of prior-year result		35				
Distribution dividends						
Result for the year						
Actuarial gains/(losses) employee benefits						
Translation difference			17,128			
<b>Comprehensive income</b>			<b>17,128</b>			
<b>At December 31, 2021</b>	<b>49,722</b>	<b>700</b>	<b>(8,052)</b>	<b>19,975</b>	<b>(3,287)</b>	<b>(2,389)</b>
Sale minority interest						
Other changes						
Allocation of prior-year result		558				
Dividends distributed						
Share capital increase						
Result for the year						
Actuarial gains/(losses) employee benefits						
Translation difference			4,957			
<b>Comprehensive income</b>			<b>4,957</b>			
<b>At December 31, 2022</b>	<b>49,722</b>	<b>1,258</b>	<b>(3,095)</b>	<b>19,975</b>	<b>(3,287)</b>	<b>(2,389)</b>

IAS 19 Reserve	Treasury shares	Retained earnings	Net result	Total parent share. equity	Min. interest share. equity	Total consol. share. equity
(988)	0	87,784	595	126,897	1	126,897
				0		0
	(2,545)	23		(2,522)		(2,522)
		560	(595)	0		0
				0		0
			10,670	10,670		10,670
(72)				(72)		(72)
				17,128		17,128
(72)			10,670	27,726		27,726
(1,060)	(2,545)	88,367	10,670	152,101	1	152,102
				0		0
	(5,470)	65	0	(5,405)		(5,405)
		10,112	(10,670)	0		0
		(6,046)		(6,046)		(6,046)
				0		0
			29,151	29,151		29,151
				643		643
643				4,597		4,597
643	0		29,151	34,751		34,751
(417)	(8,015)	92,498	29,151	175,401	1	175,402

# Notes to the consolidated financial statements

## 1. GENERAL INFORMATION

### 1.1 Introduction

Aquafil S.p.A., with registered office at Via Linfano, 9 - Arco (TN) - 38062 Italy, (“Aquafil”, “Company” or “Parent company” and, together with its subsidiaries, “Group” or “Aquafil Group”), renowned for the production and distribution of fibers and polymers, principally polyamide, is a joint stock company listed on the Italian Stock Exchange, STAR Segment since December 4, 2017, resulting from the business combination through merger by incorporation of Aquafil S.p.A. (pre-merger), founded in 1969 in Arco (TN), into Space3 S.p.A., as an Italian registered Special Purpose Acquisition Company (SPAC), with efficacy from December 4, 2017.

The majority shareholder of Aquafil S.p.A. is Aquafin Holding S.p.A., with registered office in Via Leone XIII No. 14, 20145 Milan, Italy, which however does not exercise management and co-ordination activities. The ultimate Parent Company, which draws up specific consolidated financial statements, is GB&P S.r.l. with registered office in Via Leone XIII No. 14, 20145 Milan, Italy.

The Aquafil Group produces and sells fibers and polymers, principally polyamide 6, on a global scale through the:

- (i) BCF Product Line (carpet fibers), or synthetic yarns mainly intended for the textile flooring sector and used in “contract” segments (hotels, airports, offices, etc.), residential buildings and the automotive market;
- (ii) NTF Product Line (clothing fibers), or synthetic yarns mainly intended for the clothing sector (sportswear, classic, technical or specialist apparel);
- (iii) Polymers Product Line, or plastic raw materials, mainly targeting the engineering plastics sector for subsequent use in the moulding industry.

Group products are also sold on the market under the ECONYL® brand, which offers the Group’s products obtained by regenerating industrial waste and end-of-life products.

The Group enjoys a consolidated presence in Europe, the United States and Asia.

### 1.2 Consolidated Financial Statement Presentation

These consolidated financial statements were prepared for the year ended December 31, 2022 (“**Consolidated Financial statements**”) in accordance with EU Regulation 809/2004, in compliance with International Financial Reporting Standards, issued by the International Accounting Standards Board and endorsed by the European Union (“**IFRS**”).

The Consolidated Financial Statements were approved by the Board of Directors of the company on March 16, 2023 and audited by PricewaterhouseCoopers S.p.A., statutory auditors of the company.

## 2. ACCOUNTING POLICIES AND MEASUREMENT CRITERIA

The main accounting policies adopted in the preparation of the Consolidated Financial Statements are reported below. These accounting policies were applied in line with the year 2021 and those applied at December 31, 2022.

### 2.1 Basis of preparation

As previously indicated, these consolidated financial statements were prepared in accordance with IFRS, i.e. all “International Financial Reporting Standards”, all “International Accounting Standards” (“IAS”), all interpretations of the International Reporting Interpretations Committee (“IFRIC”), previously called the Standards Interpretations Committee (“SIC”) which, at the approval date of the Consolidated Financial Statements, were endorsed by the European Union pursuant to EU Regulation No. 1606/2002 of the European Parliament and European Council of July 19, 2002.

These consolidated financial statements were prepared:

- on the basis of extensive knowledge on the IFRS and taking into account best practice; any further orientations and interpretative updates will be reflected in subsequent years, in accordance with the provisions of the accounting standards;
- under the historical cost convention, except for the measurement of financial assets and liabilities where the obligatory application of the fair value criterion is required.
- on a going-concern basis of the Group, as the directors verified the absence of financial, operating or other indicators which may suggest difficulties with regards to the Group’s capacity to meet its obligations in the foreseeable future and in particular in the next 12 months.

### 2.2 Form and content of the financial statements

The Consolidated Financial Statements were prepared in Euro, which corresponds to the principal currency of the economic activities of the entities within the Group. All the amounts included in the present document are presented in thousands of Euro, unless otherwise specified.

The financial statements and the relative classification criteria adopted by the Group, within the options permitted by IAS 1 “Presentation of financial statements” (“IAS 1”) are illustrated below:

- the *consolidated balance sheet* is presented with separation between “current and non-current” assets and liabilities;
- the *consolidated income statement* was prepared separately from the comprehensive income statement, and was prepared classifying operating costs by expense type;
- the *comprehensive income statement* which includes, in addition to the result for the period, also the changes to equity relating to income items which, in accordance with International Accounting Standards, are recognised under equity;
- the *cash flow statement* prepared in accordance with the “indirect method” .

The financial statements utilised are those which best represent the result, equity and financial position of the Group.

### 2.3 Consolidation scope and basis of consolidation

The Consolidated Financial Statements includes the equity and financial position and results of the subsidiaries and/or associated companies, approved by the respective boards and prepared on the basis of the relative accounting entries and, where applicable, appropriately adjusted in line with international accounting standards IAS/IFRS.

The following table summarises, with reference to the subsidiaries and associated companies, details on company name, registered office, share capital, result from draft financial statements prepared for approval, direct and indirect holding, of the company and the consolidation method applied at December 31, 2022:

Company	Registered office	Share capital	Net profit/(loss)	Currency	Group holding	% of votes	Method of consolidation
<b>Parent company:</b>							
Aquafil S.p.A.	Arco (IT)	49,722,417	15,930,426	Euro			
<b>Subsidiary companies:</b>							
Aquafil SLO d.o.o.	Ljubjiana (SLO)	50,135,728	5,262,460	Euro	100.00%	100.00%	Line-by-line
Aquafil USA Inc.	Cartersville (USA)	77,100,000	11,479,959	Dollaro USA	100.00%	100.00%	Line-by-line
Tessilquattro S.p.A.	Arco (IT)	3,380,000	(3,240,033)	Euro	100.00%	100.00%	Line-by-line
Aquafil Jiaxing Co. Ltd.	Jiaxing (CHN)	355,093,402	79,145,985	Yuan Chinese	100.00%	100.00%	Line-by-line
Aquafil UK Ltd.	Ayrshire (UK)	3,669,301	(994,365)	Sterlina Britannica	100.00%	100.00%	Line-by-line
Aquafil CRO d.o.o.	Oroslovje (CRO)	71,100,000	19,235,149	Kuna Croata	100.00%	100.00%	Line-by-line
Aquafil Asia Pacific Co. Ltd.	Rayoung (THA)	53,965,000	54,220,962	Baht	99.99%	99.99%	Line-by-line
Aqualeuna GmbH	Berlin (GER)	2,325,000	(1,292,061)	Euro	100.00%	100.00%	Line-by-line
Aquafil Engineering GmbH	Berlin (GER)	255,646	256,919	Euro	100.00%	100.00%	Line-by-line
Aquafil Tekstil Sanayi Ve Ticaret A.S.	Istanbul (TUR)	1,512,000	6,304,504	Lira Turca	99.99%	99.99%	Line-by-line
Aquafil Benelux France B.V.B.A.	Harelbake (BEL)	20,000	110,358	Euro	100.00%	100.00%	Line-by-line
Cenon S.r.o.	Zilina (SLO)	26,472,682	(193,314)	Euro	100.00%	100.00%	Line-by-line
Aquafil Carpet Recycling #1, Inc.	Phoenix (USA)	250,000	(3,445,921)	Dollaro USA	100.00%	100.00%	Line-by-line
Aquafil Carpet Recycling #2, Inc.	Woodland California (USA)	250,000	(2,250,446)	Dollaro USA	100.00%	100.00%	Line-by-line
Aquafil Oceania Ltd.	Melbourne (AUS)	49,990	14,478	Dollaro Australiano	100.00%	100.00%	Line-by-line
Aquafil India Private Ltd.	New Delhi(IND)	85,320		Rupia Indiana	99.97%	99.97%	Line-by-line
Aquafil O'Mara Inc.	North Carolina (USA)	36,155,327	125,383	Dollaro USA	100.00%	100.00%	Line-by-line
Aquafil Carpet Recycling	Phoenix (USA)	3,400,000	(1,545,314)	Dollaro USA	100.00%	100.00%	Line-by-line
Aquafil Japan	Chiyoda (JP)	150,000,000	(121,070,024)	Yen Giapponese	100.00%	100.00%	Line-by-line
Bluloop S.r.l.	Arco (IT)	50,000	(5,144)	Euro	100.00%	100.00%	Line-by-line
Aquafil Chile S.p.A.	Santiago (CL)	1,000,000	(37,387,392)	Pesos Cileno	100.00%	100.00%	Line-by-line
<b>Associated companies:</b>							
Nofir	Bodo (NO)	663,700	929,083	Corona Norvegese	31.66%	31.66%	Shareholders' Equity

The changes in the Aquafil Group consolidation scope for the year concerned:

- in May 2022 the newly-incorporated company Aquafil Chile S.p.A., based in Santiago, Chile, a wholly-owned subsidiary of Aquafil SLO doo, was acquired with the corporate scope of mainly purchasing fishing nets and other plastic material waste, managing their storage, processing, transport and sale to third parties, as a raw material for reuse in subsequent ECONYL® recycling and regeneration processes;
- in June 2022, Bluloop S.r.l. was incorporated as a benefit company, a wholly-owned subsidiary of Aquafil S.p.A., whose main corporate scope is to sell products made with ECONYL® polyamide to the end consumer on the e-commerce channels; the company also has communication, training and intervention objectives in the areas in which the Aquafil Group operates in terms of environmental and social sustainability issues.

The main criteria adopted by the Group for the definition of the consolidation scope and the relative consolidation principles are illustrated below.

## Subsidiaries

A party controls an entity when it is: i) exposed, or has the right to participate, in the relative variable economic returns and ii) able to exercise its decisional power on the activities relating to the entity in order to influence these returns. The existence of control is verified where events or circumstances indicate an alteration to one of the above-mentioned factors determining control. Subsidiaries are consolidated under the line-by-line method from the date control is acquired and ceases to be consolidated from the date in which control is transferred to third parties. The year-end of the subsidiary companies coincides with that of the Parent Company. The criteria adopted for line-by-line consolidation were as follows:

- the assets and liabilities, and the charges and income of the companies are recorded line-by-line, attributing to the minority shareholders, where applicable, the share of net equity and net result for the period pertaining to them; this share is recorded separately in the net equity and in the income statement;



- the gains and losses, with the relative fiscal effect, deriving from operations between fully consolidated companies and not yet realised with third parties, are eliminated, except for losses which are not eliminated where the transaction indicates a reduction in the value of the asset transferred. The effects deriving from reciprocal payables and receivables, costs and revenues, as well as financial income and charges are also eliminated.
- with regard to equity investments acquired subsequent to the acquisition of control (non-controlling interest acquisitions), any difference between the acquisition cost and the corresponding portion of equity acquired is recognised to Group equity; similarly, the effects from the sale of the non-controlling share without loss of control are recognised to equity. Conversely, the sale of a share in investments which results in the loss of control are recognised in the comprehensive income statement:
  - (i) of any gains/losses calculated as the difference between the payment received and the corresponding share of consolidated net equity sold;
  - (ii) of the effect of the remeasurement of any residual investment in line with the relative fair value;
  - (iii) of any values recorded under other items of the comprehensive income statement relating to the investee which is no longer controlled and which must be reversed through the comprehensive income statement, or where the amount should not be reversed through the comprehensive income statement, to the net equity account “Retained earnings”.

The value of any investment maintained, aligned to the relative fair value at the date of loss of control, represents the new initial recognition value of the investment, which also constitutes the value for subsequent measurement in accordance with the measurement criteria applicable.

## Associated Companies

Associated companies are companies in which the Group has a significant influence, which is presumed to exist when the percentage held is between 20% and 50% of the voting rights. Associated companies are measured under the equity method and are initially recorded at cost. The equity method is as described below:

- the book value of these investments is aligned to the net equity of the company adjusted, where necessary, to reflect the application of IFRS and includes the recognition of the higher value attributed to the assets and liabilities and to any goodwill, identified on acquisition; in line with a similar process to that previously described for business combinations;
- the profits and losses pertaining to the Group are recognised when the significant influence begins and until the significant influence ceases to exist. In the case where, due to losses, the company valued under this method indicates a negative net equity, the carrying value of the investment is written down and any excess pertaining to the Group, where this latter is committed to comply with legal or implicit obligations of the investee, or in any case to cover the losses, is recorded in a specific provision; the equity changes of the companies valued under the equity method, not recorded through the income statement, are recorded directly in the comprehensive income statement;
- the gains and losses not realised, generated on transactions between the Company/Subsidiaries and investments measured under the equity method are eliminated based on the share pertaining to the Group in the investee, except for losses, when they represent a reduction in value of the underlying asset, and dividends which are fully eliminated.

When there is objective evidence of an impairment, the recovery is verified comparing the carrying value with the relative recoverable value adopting the criteria indicated in the paragraph “Impairments of tangible and intangible assets”. When the reasons for the impairment no longer exist, the investments are revalued within the limits of the write-downs, with effects recognised to the income statement.

The transfer of shareholdings resulting in the loss of joint control or significant influence over the investee company determines the recognition in the comprehensive income statement:

- of any gain/loss calculated as the difference between the amount received and the corresponding fraction of the carrying amount transferred;
- of the effect of the remeasurement of any residual investment in line with the relative fair value;
- of any values recorded under other comprehensive items related to the investee for which reclassification to the comprehensive income statement is envisaged.

The value of any equity investment aligned to its fair value at the date of the loss of joint control or significant influence, represents the new carrying amount and, therefore, the reference value for the subsequent valuation according to the applicable valuation criteria.

Once an equity investment, or a share of this equity, measured under the equity method is classified as held for sale in so far as it meets the criteria for such classification, the equity investment or share of equity, is no longer measured under the equity method.

## Translation of foreign companies' financial statements

The financial statements of subsidiaries are prepared in the primary currency in which they operate. The rules for the translation of financial statements of companies in currencies other than the functional currency of the Euro are as follows:

- the assets and the liabilities were translated using the exchange rate at the balance sheet date;
- the costs and revenues were translated at the average exchange rate for the period;
- the “translation reserve” recorded among comprehensive income and, therefore, directly within shareholders' equity, includes both the currency differences generated from the translation of foreign currency transactions at a different rate from that at the reporting date and those generated from the translation of the opening shareholders' equity at a different rate from that at the reporting date;
- the goodwill, where existing, and the fair value adjustments related to the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the exchange rate at the reporting date.

The exchange rates utilised for the conversion of these financial statements are shown in the table below:

	December 2022		December 2021	
	Period-end rate	Average rate	Period-end rate	Average rate
US Dollar	1.07	1.05	1.13	1.18
Croatian Kuna	7.54	7.53	7.52	7.53
Chinese Yuan	7.36	7.08	7.19	7.63
Turkish Lira	19.96	17.41	15.23	10.51
Baht	36.84	36.86	37.65	37.84
UK Sterling	0.89	0.85	0.84	0.86
Australian Dollar	1.57	1.52	1.56	1.57
Japanese Yen	140.66	138.03	130.38	129.88
Chilean Peso	913.82	917.86		

## Translation of accounts in foreign currencies

Transactions in currencies other than the Euro are recognised at the exchange rate at the date of the transaction. Assets and liabilities denominated in currencies other than the Euro are subsequently adjusted to the exchange rate at the reporting date. Exchange differences are recognised to the income statement under “Exchange gains and losses”.

## Business combinations

Business combinations are recognised in accordance with IFRS 3 (2008), and IFRS 3 Revised. Specifically, business combinations are recognised using the acquisition method, where the purchase cost (consideration transferred) is equal to the fair value, at the acquisition date, of the assets sold and of the liabilities incurred or assumed, as well as any equity instruments issued by the purchaser. The purchase cost includes the fair value of any potential assets and liabilities.

The costs directly attributable to the acquisition are recorded in the income statement. The consideration transferred and allocated recognises the identifiable assets, liabilities and contingent liabilities of the purchase at their fair value at the acquisition date. Any positive difference between the consideration transferred, measured at fair value at the acquisition date, compared to the net value of the identifiable assets and liabilities of the purchase measured at fair value, is recognised as goodwill or, if negative, in the Income statement. Where the business combination was undertaken in several steps, on the acquisition of control the previous holdings are remeasured at fair value and any difference (positive or negative) recorded in the Income statement. Any potential consideration is recognised at fair value at the acquisition date. Subsequent changes in the fair value of the potential consideration, classified as an asset or a liability, or as a financial instrument as per IFRS 9, are recorded in the Income statement. Potential consideration not within the scope of IFRS 9 is measured based on the specific IFRS/IAS standard. Potential consideration which is classified as an equity instrument is not remeasured, and, consequently is recorded under equity.

Where the fair value of the assets, liabilities and contingent liabilities may only be determined provisionally, the business combination is recorded utilising these provisional values. Any adjustments, deriving from the completion of the valuation process, are recorded within 12 months from the acquisition date, restating the comparative figures.

No business combinations were undertaken in the period.

## 2.4 Accounting principles and policies

The most significant accounting policies adopted in the preparation of the Consolidated Financial Statements are reported below.

### CLASSIFICATIONS OF CURRENT AND NON-CURRENT ASSETS AND LIABILITIES:

The Group classifies an asset as current when:

- it is held for sale or consumption, in the normal operating cycle;
- it is principally held for trading;
- it is expected to be realised within 12 months from the reporting date; or
- it comprises cash or cash equivalents whose use is not restricted or restrictions such as to impede its use for at least 12 months from the reporting date.

All assets that do not meet the conditions listed above are classified as non-current.

The Group classifies a liability as current when:

- it is expected to be settled within the normal operating cycle;
- it is principally held for trading;
- it must be settled within twelve months of year-end; or
- the entity does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

All the liabilities which do not satisfy the above-mentioned conditions are classified as non-current.

### INTANGIBLE ASSETS

An intangible asset is an asset without physical substance, identifiable, controlled by the Group and capable of generating future economic benefits. The requisite of identifiability is normally met when an intangible asset is:

- attributable to a legal or contractual right; or
- separable, that is, it can be sold, transferred, leased or exchanged independently.

Control over an intangible asset consists of the right to take advantage of future economic benefits arising from the asset and the possibility of limiting its access to others.

Intangible assets are initially recognised at purchase and/or production cost, including the costs of bringing the asset to its current use. All other subsequent costs are expensed in the income statement in the year incurred. Research expenses are recorded as costs when incurred.

An intangible asset, generated during a project's development phase, which complies with the definition of development on the basis of IAS 38, is recognised as an asset if:

- the cost can be measured reliably;
- the product/process is technically feasible;
- it is likely that the company will obtain the future economic benefits that are attributable to the asset developed, and
- where the company intends to complete the project's development and has sufficient resources to do so.

The following main intangible assets can be identified within the Group:

### INTANGIBLE ASSETS WITH DEFINITE USEFUL LIVES

Intangible assets with definite useful lives are recognised as cost, as previously described, net of accumulated amortisation and any impairment.

Amortisation begins when the asset is available for use and is recognised on a straight-line basis in relation to the residual possibility of use and thus over the estimated useful life of the asset; for the amount to be amortised and its recoverability the criteria to be utilised

is that outlined, respectively, in the paragraphs “Property, plant and equipment” and “Impairment of property, plant and equipment and intangible assets” below.

The estimated useful life for the Group of the various categories of intangible assets is as follows:

	<b>Estimated useful life</b>
Concessions, licences & trademarks	10 years
Development costs	5 years
Industrial patents & intellectual property rights	10 years
Other intangible assets	Duration of contract

The Group also recognises under intangible assets in progress development costs incurred for the research of specific new products and raw materials, whose commercial production or use has not yet commenced.

These costs are capitalised only when all of the following conditions set out in IAS 38 are met:

- the technical feasibility of developing new products and raw materials which will then be available for sale or use respectively;
- the Group’s willingness to complete development, its ability to reliably assess the costs necessary for development and therefore the availability of sufficient technical and financial resources to execute it;
- the forecast likely future economic benefits that new products and new raw materials will be able to generate through sale and use for commercial purposes, in order to at least ensure the full recovery of costs incurred.

Once the development project is completed and the related finished product begins to be sold or the raw material used, these costs will begin to be amortised over the foreseeable period over which they will generate economic benefits.

## PROPERTY, PLANT & EQUIPMENT

Property, plant and equipment are measured at purchase or production cost, net of accumulated depreciation and any impairments. The purchase or production cost includes charges directly incurred for bringing the asset to their condition for use, as well as dismantling and removal charges which will be incurred consequent of contractual obligations, which require the asset to be returned to its original condition. The financial charges directly attributable to the acquisition, incorporation or production of property, plant and equipment whose realisation requires timeframes above one year, are capitalised and depreciated based on the useful life of the asset to which they refer.

The expenses incurred for the maintenance and repairs of an ordinary nature are charged to the income statement when they are incurred. The capitalisation of costs relative to the expansion, modernisation or improvement of the structural elements whether owned or leased, is solely made within the limits established to be separately classified as assets or part of an asset. The assets recorded in relation to leasehold improvements are amortised based on the duration of the rental contract, or on the basis of the specific useful life of the asset, if lower.

Depreciation is charged on a straight-line basis, which depreciates the asset over its economic/technical useful life. Applying the principle of the component approach, when the asset to be depreciated is composed of separately identifiable elements whose useful life differs significantly from the other parts of the asset, the depreciation is calculated separately for each part of the asset.

The estimated useful life of the main categories of property, plant and equipment is as follows:

	<b>Estimated useful life</b>
Buildings and light constructions	10 - 17 - 33 - 40 years
General plant and machinery	7 - 8 - 10 - 13 years
Industrial and commercial equipment	2 - 4 - 8 years
Other assets	4 - 5 - 8 years
Right-of-Use	Duration of contract

Land, including that adjacent to production facilities, is not depreciated. The useful life of property, plant and equipment is reviewed and updated, where necessary, at least at the end of each year.

A tangible fixed asset is eliminated from the financial statements when the asset is sold or when no expected economic benefits exist from its use or disposal. Any gains or losses (calculated as the difference between net income from sales and the net book value of the asset sold) are recognised in the income statement in the year of disposal.

## LEASED ASSETS

International Accounting Standard IFRS 16 identifies the principles for the recognition, measurement and presentation in the financial statements of leasing contracts, as well as enhancing the relative disclosure requirements.

Specifically, IFRS 16 defines leasing as a contract which assigns to the client (lessee) the right-of-use of an asset for a set period of time in exchange for consideration, without distinguishing finance leases from operating leases such as rental and hire.

The definition of a contractual agreement as a lease transaction (or containing a lease transaction) is based on the substance of the agreement and requires an assessment of whether fulfilment of the agreement depends on the use of one or more specific assets and if the agreement transfers the right to use them.

Companies that operate as lessee therefore recognise in their financial statements, at the effective date of the lease, an asset representing the right to use of the asset (defined as the “Right-of-Use”) and a liability, attributable to the obligation to make the payments provided for in the contract. The lessee should subsequently recognise the interest concerning the lease liability separate from the depreciation of the right-of-use assets. IFRS 16 also requires lessees to restate the amounts of the lease liability on the occurrence of certain events (e.g. a change to the duration of the lease, a change to the value of the future payments due to a change in an index or rate utilised to determine these payments). In general, the restatement of the amount of the lease liability implies an adjustment also to the right-of-use asset.

Differing from that required for lessees, for the purposes of the preparation of the financial statements of lessors (the lessor), the new International Accounting Standard maintains the distinction between operating and finance leases as per IAS 17.

## IMPAIRMENT OF INTANGIBLE AND TANGIBLE ASSETS

### Intangible and tangible assets with definite useful life

A verification is carried out at each reporting date to establish whether there are indicators that tangible and intangible assets may have suffered an impairment. To this end, both internal and external sources of information are considered. With regard to the former (internal sources), obsolescence or the asset’s physical deterioration and any significant changes in the asset’s use and the asset’s economic performance in comparison to projections are taken into consideration. As regards external sources, the trend in the assets’ market prices, any technological, market or regulatory discontinuities, the trend in market rate interest rates or the cost of capital used to evaluate investments are considered.

Where these indicators exist, an estimate of the recoverable value of the above-mentioned assets is made, recording any write-down compared to the relative book value in the income statement. The recoverable value of an asset is the higher between the fair value, less costs to sell, and its value, determined discounting the estimated future cash flows for this asset, including, where significant and reasonably determinable, those deriving from the sale at the end of the relative useful life, net of any transaction costs. In defining the value in use, the expected future cash flows are discounted utilising a pre-tax rate that reflects the current market assessment of the time value of money, and the specific risks of the asset. For an asset that does not generate independent cash flows, the recoverable value is determined in relation to the cash generating unit to which the asset belongs.

A loss in value is recognised in the income statement when the carrying value of the asset, or of the relative CGU to which it is allocated, is higher than its recoverable value. The loss in value of CGU’s are firstly attributed to the reduction in the carrying value of any goodwill allocated and, thereafter, to a reduction of other assets, in proportion to their carrying value and in the limit of the relative recoverable value. When the reasons for the write-down no longer exist, the book value of the asset is restated through the income statement, up to the value at which the asset would be recorded if no write-down had taken place and amortisation or depreciation had been recorded.

## Impairment test

The impairment test assesses whether there exist any indications that an asset may have incurred a reduction in value. For goodwill and any other indefinite useful life intangible assets an assessment should be made at least annually that their recoverable value is at least equal to the book value and, when considered necessary, or rather in the presence of trigger events (IAS 16 paragraph 9), the impairment test must be undertaken more frequently.

The goodwill arising from the business combinations (in previous years) was therefore subject to a recoverability test as per IAS 36 as indicated also in note 7.2 “Goodwill” below. In particular, it is noted that the recoverable value of a non-current asset is based on the estimates and on the assumptions utilised for the determination of the cash flows and of the discount rate applied. Where it is considered that the book value of a non-current asset has incurred a loss in value, the asset is written-down up to the relative recoverable value, estimated with reference to its utilisation and any future disposal, based on the most recent business plans.

In assessing the recoverable value of property, plant and equipment, of investment property, of intangible assets and of goodwill, the Group generally applies the criterion of the value in use.

The value in use is the present value of the expected future cash flows to be derived from an asset. In defining the value in use, the expected future cash flows are discounted utilising a pre-tax rate that reflects the current market assessment of the time value of money, and the specific risks of the asset.

The estimated future cash flows utilised to determine the value in use is based on the most recent business plans, approved by management and containing forecasts for volumes, revenues, operating costs and investments.

These forecasts cover the period of the next two years; consequently, the cash flows relating to the subsequent years are determined on the basis of a growth rate which does not exceed the average growth rate for the sector and the country.

Where the book value of an asset is higher than its recoverable value a loss in value is recognised which is recorded in the income statement under “Amortisation, depreciation and write-downs”.

The loss in value of a cash-generating unit (the Aquafil Group has only one CGU) are firstly attributed to the reduction in the carrying value of any goodwill allocated and, thereafter, to a reduction of other assets, in proportion to their carrying value.

When the reasons for the write-down no longer exist, the carrying value of the asset is restated through the income statement, in the account “Amortisation, depreciation & write-downs”, up to the value at which the asset would be recorded if no write-down had taken place and amortisation or depreciation had been recorded.

The original value of the goodwill is not restated even when in subsequent years the reasons for the reduction in value no longer exist.

## SECURITIES OTHER THAN EQUITY INVESTMENTS

Any securities other than equity investments, included under “Financial assets”, are held in portfolio until maturity. They are recognised at acquisition cost (with reference to the “trading date”) including transaction costs.

## LOANS, RECEIVABLES AND FINANCIAL ASSETS HELD-TO-MATURITY

The financial assets are measured based on IFRS 9.

The Group assesses at each reporting date whether a financial asset or a group of financial assets have incurred a loss in value.

## IMPAIRMENT OF FINANCIAL ASSETS

At each reporting date, all financial assets are analysed in order to verify whether they have suffered a loss in value. An impairment loss is recognised if, and only if, this evidence exists as a result of one or more events that have an impact on the asset’s expected future cash flows, occurring after its initial recognition.

In the valuation account is also taken of future economic conditions.

For financial assets accounted for through the amortised cost criterion, when a loss in value has been identified, its value is measured as the difference between the asset's carrying amount and the present value of expected future cash flows, discounted on the basis of the original effective interest rate. This value is recognised in the income statement under the item "Provisions and write-downs". When, in subsequent periods, the reasons for the write-down no longer exist, the value of the financial assets are restated up to the value deriving from the application of the amortised cost criterion.

## INVENTORIES

Inventories are recorded at the lower of purchase or production cost and realisable value represented by the amount that the Group expects to obtain from their sale in the normal course of operations of the assets, net of accessory costs. The cost of raw material inventories is calculated using the weighted average cost method. The value of finished or semi-finished product inventories includes direct or indirect processing costs. To determine the weighted average cost of production or processing, the Group considers the weighted average cost of the raw material and the direct and indirect production costs, generally taken as a percentage of direct costs.

The value of inventories was recorded net of any impairment provisions.

## TRADE AND OTHER RECEIVABLES (CURRENT AND NON-CURRENT)

Trade receivables and other current and non-current receivable are considered financial instruments, principally relating to customer receivables, non-derivative, not listed on an active market, from which fixed or determinable payments are expected. Trade receivables and other receivables are classified in the consolidated balance sheet under current assets, except for amounts due beyond 12 months from the reporting date, which are classified as non-current. These financial assets are recorded in the balance sheet when the Group becomes part of the related contracts and are derecognised when the right to receive the cash flow is transferred together with all the risks and benefits associated with the asset sold.

Trade and other current and non-current receivables are initially recorded at their fair value, and subsequently with the amortised cost method using the effective interest rate, reduced for any impairment.

Impairments on receivables are recognised in the income statement when there is objective evidence that the Group will not be able to recover the credit on the basis of contractual conditions.

The write-down amount is measured as the difference between the asset's carrying amount and the present value of expected future cash flows.

The value of receivables is shown net of the corresponding doubtful debt provision.

## CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash, on-demand deposits and financial assets with an original maturity of three months or less, readily convertible into cash and subject to an insignificant risk of changes in value. The items included in cash and cash equivalents are measured at fair value and the relative changes are recorded in the consolidated income statement.

## EMPLOYEE BENEFITS

For the defined benefit plans, which include post-employment benefit provisions due to employees pursuant to Article 2120 of the Italian Civil Code, the amount to be paid to employees is quantifiable only after the termination of the employment service period, and is related to one or more factors such as age, years of service and remuneration. Therefore, the relative charge is recorded in the income statement based on actuarial calculations. The liability recorded in the accounts for defined benefit plans corresponds to the present value of the obligation at the reporting date. The obligations for the defined benefit plans are determined annually by an independent actuary utilising the projected unit credit method. The present value of the defined benefit plan is determined discounting the future



cash flows at an interest rate equal to the obligations (high-quality corporate) issued in Euro and takes into account the duration of the relative pension plan. The actuarial gains and losses deriving from these adjustments and the changes in the actuarial assumptions are recognised in the comprehensive income statement.

From January 1, 2007, the Finance Act and relative decrees enacted introduced important amendments in relation to post-employment benefits, among which was the choice given to the employee to determine where the benefit matured in the period is invested. In particular, the new post-employment benefits can be utilised by the employee for their own chosen pension scheme or they may choose to leave the amount in the company; in this case, when the company has more than 50 employees, those matured from 2007 are paid into INPS. In the case of allocation to external pension funds, the company is only liable to pay a defined contribution to the selected fund and as from that date, the newly matured portion are in the nature of defined contribution plans and are therefore not subject to actuarial valuation.

## TRADE AND OTHER PAYABLES (CURRENT AND NON-CURRENT)

Financial liabilities (with the exclusion of derivative financial instruments) relate to trade and other payables and are initially recorded at fair value, net of directly allocated accessory costs. After initial recognition, they are measured at amortised cost, recording any differences between cost and repayment amount in the income statement over the duration of the liability, in accordance with the effective interest rate method. When there is a change in the expected cash flows, the value of the liabilities is recalculated to reflect this change, based on the new present value of the expected cash flows and on the effective internal rate initially determined.

## DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

Financial assets (or, where applicable, part of a financial asset or part of a group of similar financial assets) are derecognised from the financial statements when:

- the right to receive the financial flows of the asset terminate;
- the Group retains the contractual right to receive the cash flows from the asset, but assumes a contractual obligation to pay the cash flows fully and without delay to a third party;
- the Group has transferred its right to receive the cash flows from the asset and (a) has transferred substantially all of the risks and rewards of ownership of the financial asset or (b) has not transferred or retained substantially all of the risks and rewards of the asset, but has transferred control over same.

A financial liability is derecognised from the financial statements when the underlying liability is settled, cancelled or fulfilled.

## DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are only used by the Aquafil Group for the hedging of financial risks related to interest rate fluctuations on bank debt.

A derivative is a financial instrument or other contract:

- whose value changes in response to changes in an underlying defined parameter such as the interest rate, the price of a security or commodity, foreign currency exchange rate, the index of prices or rates, credit rating or another variable;
- that requires a zero initial net investment, or lower than what would be required for contracts with a similar response to changes in market conditions;
- which is settled at a future date.

The Group's financial derivative instruments are undertaken to hedge against the interest rate risk. In accordance with IAS 39, which remains applicable optionally with respect to IFRS 9 in the case of the hedging of interest rate exposure, derivative financial instruments are accounted for in accordance with the procedures established for hedge accounting only when:

- the hedging instrument is formally designated and documented at the start of hedging;
- the hedge is expected to be highly effective;
- such efficacy can be reliably measured;
- the hedge is highly effective during the various accounting periods for which it is designated.

It should be noted that the derivative instruments currently in place (IRS - Interest Rate Swaps), although subscribed for hedging purposes with regard to changes in interest rates, have been treated, for accounting purposes and consistently with the past, as non-hedging instruments (and therefore the relative fair value is recognised in the income statement), as it is very complex to prepare the mandatory hedging relationship.

## MEASUREMENT OF THE FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value measurement of the financial instruments is undertaken applying IFRS 13 “Fair value measurement” (IFRS 13). Fair value concerns the price that will be received for the sale of an asset or which will be paid for the transfer of a liability in an ordinary transaction settled between market operators, at the measurement date.

Fair value measurement is based on the assumption that the sale of the asset or transfer of the liability is undertaken on the principal market, or rather the market in which the largest volume and levels of transaction take place for the asset or liability. In the absence of a principal market, it is assumed that the transaction takes place on the most advantageous market to which the Group has access, or rather the market which would maximise the results of the sales transaction of the asset or minimise the amount to be paid for the transfer of the liability.

The fair value of an asset or of a liability is determined considering the assumptions which the market participants would use to define the price of the asset or of the liability, under the presumption that they act in accordance with their best economic interests. Market participants are independent knowledgeable acquirers or sellers able to enter into a transaction for the asset or the liability and motivated but not obliged or coerced into making the transaction.

In the fair value measurement, the Group takes into account the specific characteristics of the asset or the liability, in particular, for the non-financial assets, the capacity of a market operator to generate economic benefits utilising the asset to its maximum and best use or by selling to another market operator that would utilise the asset to its maximum or best use. The fair value measurement of assets and liabilities utilises appropriate techniques for the circumstances and for which sufficient data is available, maximising the use of observable inputs.

IFRS 13 identifies the following fair value hierarchy which reflect the importance of the inputs used in the relative measurement:

- Level 1 Quoted Price (active market): data used in valuations are represented by prices quoted on markets in which identical assets and liabilities are traded with those being valued.
- Level 2 Use of Observable Market Parameters (for example, for derivatives, the exchange rates recorded by the Bank of Italy, market interest rate curves, volatility provided by qualified providers, credit spreads calculated on the basis of CDS', etc.) other than level 1 quoted prices.
- Level 3 Use of Non-Observable Market Parameters (internal assumptions, for example, financial flows, risk-adjusted spreads, etc.).

## WARRANTS

The company has issued warrants, that is, financial instruments that give the holder the right to purchase (call warrants) a determined quantity of ordinary shares (underlying) at a predefined price (strike-price) within a set deadline. The warrants issued were of two types: “Market warrants,” which were also listed and were fully cancelled in FY2022 due to expiration of the term, and unlisted “Sponsor warrants” which remain outstanding.

These financial instruments can have different terms and characteristics and, on the basis of these, can be alternatively considered as: (i) a financial liability that must therefore be measured at fair value at the time of issue and any subsequent variation recorded directly in the income statement, or as (ii) an equity instrument and therefore classified in a specific equity reserve from which they will be released only at the time they are exercised or on their maturity as indicated by IAS 32.

Warrants issued by the company have the characteristics to be considered as equity instruments since both instruments contain a pre-set execution value (defined as the “fixed for fixed criteria”).

Specifically for the Sponsor warrants, an exchange between equity instruments and cash at an already pre-determined value is provided in case of execution. Information on these instruments is available in the paragraph on shareholders’ equity.

## PROVISION FOR RISKS AND CHARGES

Provisions for risks and charges relate to costs and charges of a defined nature and of certain or probable existence whose amount or date of occurrence are uncertain at the reporting date. Accruals to provisions are recorded when:

- the existence of a present obligation, legal or implicit, deriving from a past event is probable;
- it is probable that compliance with the obligation will result in a charge;
- the amount of the obligation can be estimated reliably.

Provisions are recorded at the value representing the best estimate of the amount that the entity would reasonably pay to discharge the obligation or to transfer it to a third party at the reporting date. When the financial effect of the passing of time is significant and the payment dates of the obligations can be reliably estimated, the provision is determined by discounting the expected cash flows taking into account the risks associated with the obligation; the increase of the provision due to the passing of time is recorded in the income statement in the account "Financial charges".

The provisions are periodically updated to reflect the changes in the estimate of the costs, of the time period and of the discounting rate; the revision of estimates is recorded in the same income statement accounts in which the provision was recorded.

## REVENUES AND COSTS

Revenues from the sale of goods and services as well as the purchase costs of goods and services are recognised on the transfer of the risks and rewards connected to the ownership or completion of the service.

Revenues are shown net of discounts, allowances and returns; they are recorded at fair value to the extent in which it is possible to reliably determine such value and the likelihood that the relative economic benefits will be enjoyed. Revenues are recognised in accordance with IFRS 15 and therefore as per the following 5 steps:

- 1) Identification of the contract with the customer. The standard contains specific provisions to assess whether two or more contracts should be combined and to identify the accounting implications of any contractual amendments;
- 2) Identification of the contractual obligations contained in the contract;
- 3) Calculation of the transaction price, which should be made taking into consideration, among others, the following elements: any amounts paid on behalf of third parties, which must be excluded from the consideration, variable price components (such as performance bonuses, penalties, discounts, reimbursements, incentives, etc. ...) and any financial component, present where the payment terms granted to the customer contain a significant extension period;
- 4) Allocation of the transaction price to the contractual obligations, on the basis of the stand-alone sales price of each good or service; separately;
- 5) Recognition of the revenue, when (or if) each contractual obligation is satisfied through the transfer of the goods or service, which occurs when the customer obtains the control and therefore has the capacity to decide upon and/or control its use and substantially obtain all the benefits. Control may be transferred at a specific point in time or over time.

The analysis undertaken indicated that the obligations arising for the Group companies to its clients mainly concern the production and supply of finished products according to the terms and conditions requested, and in particular:

- payment deadlines are on average between 45 and 60 days, in line with generally applied market averages. "Cash discounts" are contractually granted in the case of early settlement and were recognised as a direct reduction in revenues. No payment deferrals are granted which could be considered as qualifying as a loan;
- the finished product is sold without the granting of warranty periods and/or without return and/or suspension of ownership clauses. Any returns and reimbursements are agreed among the parties on a case by case basis following critical analysis of the reasons which may have resulted in any non-compliance issues.

It is therefore considered that:

- (i) the moment of transfer of control to clients of their products coincides with the transfer of the associated risks and benefits, as contractually defined by the delivery terms applied and which are in line with those generally accepted within the sector;
- (ii) the consideration does not include any financial component, with the exception of the cash discounts which are recognised as a reduction in revenues, while the component of the transport service and insurance (applicable only with specific delivery terms) is however completed in the same period as the transfer of control of the goods and therefore accrues to the same period;
- (iii) no contractual obligations are in place which suspend the transfer of control of the goods and therefore only the returns/reimbursements that may be agreed (concerning the goods sold in the year) may be recognised as a reduction of the relative revenues.

Costs incurred by the company however are recognized on an accrual basis.

## FINANCIAL INCOME AND CHARGES

Financial income and charges are recognized in the income statement in the period in which they are earned or incurred according to IFRS 9.

## DIVIDENDS

Dividends received are recognised when (i) shareholders become entitled to receive the payment, which coincides with the date of the investee company's shareholders' meeting approving distribution, (ii) it is probable that the economic benefits associated with the dividend will flow to the entity and (iii) the amount of the dividend can be measured reliably.

The distribution of dividends to Aquafil S.p.A.'s shareholders is represented as a movement of shareholders' equity and recorded as a liability in the financial year in which this distribution is approved by the Shareholders' Meeting.

## INCOME TAXES

Current taxes are determined on the basis of estimated taxable income, in compliance with tax regulations applicable to Group companies and are recorded in the consolidated income statement under the item "Income taxes for the year", with the exception of those relating to items directly debited or credited to a shareholders' equity reserve; in such cases, the relative tax effect is directly recognised in the respective shareholders' equity reserves. The consolidated comprehensive income statement shows the amount of income taxes for each item included in the "other components of the consolidated comprehensive income statement".

Deferred tax assets and liabilities are calculated in accordance with the balance sheet liability method. Deferred taxes are calculated on temporary differences between the values recorded in the consolidated financial statements and the corresponding values recognised for tax purposes. The deferred tax assets, including those relating to any tax losses carried forward, are recognised only for those amounts for which it is probable there will be future assessable income to recover the amounts. Tax assets and liabilities are offset, separately for current taxes and for deferred taxes, when the income tax is applied by the same fiscal authority, there is a legal right of compensation and the payment of the net balance is expected. Deferred tax assets and liabilities are calculated utilising the tax rates which are expected to be applied in the years when the temporary differences will be realised or settled, taking into account current tax regulations or substantially in force at the reporting date. Other taxes not related to income, such as indirect taxes and duties are included under "Other operating costs and charges".

From the year 2018, Aquafil S.p.A. was included in the tax consolidation regime with the parent company Aquafin Holding S.p.A. This was interrupted in 2017 due to its merger by incorporation into Space3 S.p.A. The tax consolidation regime is also confirmed for the year 2022.

Therefore, the consolidated financial statements take account of the effects of the transfer of tax positions arising from the "tax consolidation" and specifically recognise the consequent credit/debit relationships towards the tax consolidating company.

In addition, in relation to the Parent Company, it should be noted that Article 12 of Legislative Decree No. 142 of 29/11/2018 defined the concept of "non-financial holding companies" ("*Industrial Holdings*"), for which, "the prevalent exercise of acquiring investments in parties other than financial intermediaries exists when, based on the figures of the last approved year-end financial statements, the total amount of investments in these parties and other equity elements undertaken between them, considered as a whole, is higher than 50 per cent of the total assets on the balance sheet", with effect from the year 2018.

Due to this amendment by Legislative Decree 142/2018, therefore, as of the year 2018, previously excluded companies fall under "industrial holdings" and particularly those which have holdings but whose financial income predominantly comprises revenues from industrial activity.

The Parent Company which qualifies as an "Industrial Holding" must calculate the Irap taxable base in accordance with Article 6, paragraph 9 of the Irap Decree, that is, by adding to the normally determinable taxable base, 100% of the interest income and other

financial income and subtracting 96% of the interest expense and similar charges; in addition, the increased rate envisaged for banks and other financial institutions must be applied to the value of production relevant for IRAP purposes. It should be noted that also for 2022, the IRAP rate for the industrial holding companies in the province of Trento, applicable to non-financial holding companies and similar entities pursuant to paragraph 9 of Article 6 of Legislative Decree No. 446/97 is 4.65%, and the benefits normally granted to industrial companies are not applied.

## ASSETS AND LIABILITIES AVAILABLE FOR SALE AND DISCONTINUED OPERATIONS

Non-current assets and current assets and non-current assets of discontinued operations are classified as held-for-sale where their book value will principally be recovered through sale. This condition exists when the sale is highly probable and the asset or discontinued operation is available for an immediate sale in its current conditions. Non-current assets held-for-sale, current assets and non-current assets of discontinued operations and the liabilities directly related to them are recorded separately to company assets and liabilities in the balance sheet.

Any non-current assets held-for-sale are not depreciated and are valued at the lower of the subscription value and their fair value, less selling costs.

Any difference between the book value and the Fair Value less selling costs is recorded in the income statement as a write-down; any subsequent recoveries in value are recognised for the amount of the write-downs previously recorded, including those recognised before the definition of the asset as held-for-sale.

Non-current assets and current and non-current assets of disposal groups classified as held-for-sale constitute discontinued operations if, alternatively:

- they represent a significant autonomous branch of activity or a significant geographical area of activity; or
- is part of a disposal programme of an important independent activity or geographical area of activity;
- are a subsidiary acquired exclusively for the purpose of sale.

The results of discontinued operations, as well as any capital gain/loss realised following disposal, are shown separately in the income statement under a specific account, net of the related tax effects; the income statement values of discontinued operations are also presented for the comparative years.

If there is a plan to sell a subsidiary that results in the loss of control, all the assets and liabilities of that subsidiary are classified as held-for-sale.

It should be noted that at December 31, 2022, the Aquafil Group had only assets held-for-sale consisting of machinery and equipment and had no discontinued operations.

## EARNINGS PER SHARE

### a) Basic earnings per share

The basic earnings per share is calculated by dividing the result of the Group by the weighted average number of ordinary shares outstanding during the year, excluding treasury shares.

### b) Diluted earnings per share

The diluted earnings per share is calculated by dividing the result of the Group by the weighted average number of ordinary shares outstanding during the year, excluding treasury shares. In order to calculate the diluted earnings per share, the average weighted number of shares outstanding is adjusted assuming the exercise of all the rights which have potential dilution effect, while the result of the Group is adjusted to take into account the effects, net of income taxes, of the exercise of these rights.

## USE OF ACCOUNTING ESTIMATES

The preparation of the financial statements requires the directors to apply accounting principles and methods that, in some circumstances, are founded on difficult and subjective valuations and estimates, based on historical experience and assumptions which are

from time to time considered reasonable and realistic under the relative circumstances. The application of these estimates and assumptions impact upon the amounts reported in the financial statements, the balance sheet, the income statement, the comprehensive income statement, the cash flow statement, the statement of changes to shareholders' equity and the notes to the accounts. The final outcome of the accounts in the financial statements which use the above-mentioned estimates and assumptions may differ, even significantly from those reported in the financial statements due to the uncertainty which characterises the assumptions and the conditions upon which the estimates are based.

Numerous items in the financial statements are subject to estimates and while not all of these accounts are individually significant, they are significant on an overall basis. The accounting policies which require greater subjectivity by the directors in the preparation of the estimates and for which a change in the underlying conditions or the assumptions may have a significant impact on the financial results of the Group are briefly described below.

## **Impairments**

The tangible and intangible assets with definite useful lives and goodwill are verified to ascertain if there has been a loss in value, which is recorded by means of a write-down, when it is considered there will be difficulties in the recovery of the relative net book value through use. The verification of such difficulties requires the directors to make valuations based on the information available within the Group and on the market, as well as from historical experience. In addition, when it is determined that there may be a potential reduction in value, the Group determines this through using the most appropriate technical valuation methods available. The correct identification of the indicators of a potential reduction in value of tangible and intangible assets, as well as the estimates for their determination depends on factors which may vary over time, impacting upon the valuations and estimates made by the directors.

## **Amortisation & Depreciation**

The cost of property, plant and equipment and intangible assets is depreciated or amortised on a straight-line basis over the estimated useful life of the asset. The useful life of these assets is determined by the directors when the assets are purchased. This is based on the historical experience for similar assets, market conditions and considerations relating to future events which could have an impact on the useful life, such as changes in technology. Therefore, the effective useful life may differ from the estimated useful life.

## **Inventories**

Inventories of products which are obsolescence or slow moving are periodically subject to valuation tests and written down when the recoverable value is lower than the carrying amount. The write-downs are made based on assumptions and estimates of the directors deriving from experience and historic results.

## **Doubtful debt provision**

the recoverability of receivables is valued taking account of the non-payment risk, of aging of receivables and of the losses recorded in the past on similar receivables.

## **Provisions for risks and charges**

Provisions for risks and charges are recorded to cover known or likely losses or liabilities, the timing and extent of which are not known with certainty at the reporting date.

They are recorded only where a present obligation exists (legal or implicit) for a future payment resulting from past events and it is probable that the obligation will be settled. This amount represents the best estimate of the costs required to settle the obligation. The rate used in the determination of the present value of the liability reflects the current market values and the specific risk associated to each liability.

If the financial effect of the period is significant and the payment dates of the obligations can be reliably estimated, the provisions are valued at the present value of the expected payment, utilising a rate which reflects market conditions, the change in the cost of money in the period and the specific risk related to the obligation. The increase in the value of the provision from changes in the cost of money in the period is recognised as a financial charges.

Possible risks that may result in a liability are disclosed in the notes on potential liabilities without any provision.

## Deferred tax assets

Deferred tax assets are recognized with respect to deductible temporary differences between the values of assets and liabilities expressed in the financial statements compared to the corresponding tax value and tax losses that can be carried forward, to the extent that the existence of adequate future taxable profit is likely, with respect to which these losses may be used. A discretionary assessment is required of the directors to determine the amount of deferred tax assets that can be accounted for, which depends on the estimate of probable timing and the amount of future taxable profits.

## 2.5 Accounting standards not yet applicable

The developments in the IFRS and the relative interpretations (IFRIC) applicable from periods subsequent to December 31, 2022 are outlined below.

Document title	Issue date	Effective entry date	Date approved	EU Regulation and publication date
IFRS 17 - Insurance contracts (including amendments published in June 2020)	May 2017 June 2020	January 1, 2023	November 19, 2021	(UE) 2021/2036 November 23, 2021
Definition of accounting estimates (Amendments to IAS 8)	February 2021	January 1, 2023	March 2, 2022	(UE) 2022/357 March 3, 2022
Information on accounting standards (Amendments to IAS 1) (1)	February 2021	January 1, 2023	March 2, 2022	(UE) 2022/357 March 3, 2022
Deferred taxes related to assets and liabilities arising from a single transaction (Amendments to IAS 12)	May 2021	January 1, 2023	11 agosto 2022	(UE) 2022/1392 August 12, 2022
First-time application of IFRS 17 and IFRS 9 - Comparative information (Amendments to IFRS 17)	December 2021	January 1, 2023	September 8, 2022	(UE) 2022/1491 September 9, 2022

(1) The document published by the IASB includes amendments to 'IFRS Practice Statements 2 - Making Materiality Judgements' that have not been endorsed by the European Union because they do not relate to an accounting standard or interpretation.

At the reporting date, the European Union had not yet completed its endorsement process for the adoption of the following standards and amendments:

Document title	Issue date by IASB	Effective entry date of the IASB document	Expected endorsement date by EU
<b>Standards</b>			
IFRS 14 Regulatory Deferral Accounts	January 2014	January 1, 2016	The approval process suspended pending the new accounting standard on "rate-regulated activities"
<b>Amendments</b>			
Sale or contribution of assets between an investor and its associate or joint venture (Amendments to IFRS 10 and IAS 28)	September 2014	Deferred until the completion of the IASB project on the equity method	Endorsement process suspended pending the conclusion of the IASB project on the equity method
Classification of liabilities as current or non-current (Amendments to IAS 1) and Non current liabilities with covenants (Amendments to IAS 1)	January 2020 July 2020 October 2022	January 1, 2024	TBD
Lease liability in a sale and leaseback (Amendments to IFRS 16)	September 2022	January 1, 2024	TBD

The document published by the IASB includes amendments to 'IFRS Practice Statements 2 – Making Materiality Judgements' which was not subject to EU endorsement as it is not an accounting standard or interpretation.



### 3. FINANCIAL RISK MANAGEMENT

The principal business risks identified, monitored and, as illustrated below, actively managed by the Group are as follows:

- market risk, deriving from fluctuations in exchange rates between the Euro and the other currencies in which the Group operates, the interest rate and raw material prices;
- Counterparty default risk;
- liquidity risk, deriving from insufficient financial resources to meet financial commitments.

The Group's objective is to maintain a balanced management of its financial exposure over time to ensure a liability structure that is in equilibrium with the composition of assets and capable of ensuring the necessary operational flexibility through the use of liquidity generated by current operating activities and recourse to bank financing.

The ability to generate liquidity from ordinary operations and debt capacity allow the Group to adequately meet its operational requirements, the financing of operating working capital and investment capital, and to meet its financial obligations.

The Group's financial policy and management of the relative financial risks are guided and monitored at central level. In particular, the central finance function is tasked with evaluating and approving forecast financial needs, monitoring the trend and, where necessary, implementing suitable corrective actions.

The following section provides qualitative and quantitative information on the impact of these risks on the Group.

#### 3.1 Market risk

##### 3.1.1 Currency risk

Exposure to the risk of exchange rate variations arises from the Group's commercial activities which are also carried out in currencies other than the Euro. Revenues and costs denominated in foreign currencies may be influenced by exchange rate fluctuations with an impact on trade margins (economic risk), just as trade and financial payables and receivables denominated in foreign currency may be affected by the conversion rates used, with an effect on the economic result (transaction risk). Finally, exchange rate fluctuations also reflect on the consolidated results and shareholders' equity since the financial statements of certain Group companies are drawn up in currencies other than the Euro and are subsequently converted (translation risk).

The principal exchange rates the Group is exposed to are:

- EUR/USD, in relation to transactions carried out in US Dollars;
- EUR/GBP, in relation to transactions carried out in UK Sterling;
- EUR/CNY, in relation to transactions carried out in renminbi mainly on the Asian market.

The Group does not generally adopt specific policies to hedge exchange rate fluctuations, with the exception of contracts occasionally entered into due to the contingent requirements of its commercial activities. It should be noted that there is periodic massive offsetting between the values of purchase components in foreign currencies, mainly US dollars, and the values of sales in the same currency, which significantly mitigates the Group's currency risk. Many Group companies are however exposed to a contained level of exchange rate risk stemming from operations as, in the individual countries, a portion of cash flows, sales and also costs are denominated in the same accounting currency of the country (natural hedging).

##### 3.1.2 Analysis of sensitivity of exchange rate risk

For the purposes of an exchange rate sensitivity analysis, balance sheet items as at December 31, 2022 (financial assets and liabilities) denominated in a currency other than the functional currency of each Group company were identified. In assessing the potential effects arising from changes in exchange rates, inter-company payables and receivables in currencies other than the account currency were also taken into consideration.

Two scenarios were considered for the purposes of the analysis which respectively reflect a 10% appreciation and depreciation of the nominal exchange rate between the currency in which the balance sheet item is denominated and the accounting currency.

The table below highlights the results of the analysis:

(in Euro thousands)	Consolidated financial statements	Exposition to currency risk (aggregated)	+10% Gains/(Losses)	-10% Gains/(Losses)
<b>Financial assets</b>				
Cash and cash equivalents	110,682	23,853	(2,385)	2,385
Trade receivables	28,553	2,763	(276)	276
Tax effect			639	(639)
<b>Total financial assets</b>			<b>(2,022)</b>	<b>2,022</b>
<b>Financial liabilities</b>				
Trade payables	(126,840)	(5,047)	505	(505)
Tax effect			(121)	121
<b>Total financial liabilities</b>			<b>384</b>	<b>(384)</b>
<b>Total</b>			<b>(1,639)</b>	<b>1,639</b>

Note: the plus sign indicates a higher profit and an increase in shareholders' equity; the minus sign indicates a lower profit and a decrease in shareholders' equity.

It should also be noted that, for the purposes of consolidated reporting, the Company recognises currency differences generated by the year-end translation of the financial statements of foreign subsidiaries prepared in a currency other than the Euro among comprehensive income and, therefore, directly within the shareholders' equity "translation reserve".

Therefore, there is the risk that fluctuations in exchange rates in countries where the Group's subsidiaries operate (esp. the USA and China) could have an impact on consolidated shareholders' equity. In 2022 specifically, this translation had a positive effect of Euro 4,957 thousand as shown in the statement of changes in shareholders' equity and in the consolidated comprehensive income statement.

### 3.1.3 Raw material price risk

The Group's production costs are influenced by the price trends of the main raw materials used. The price of these materials varies depending on a wide range of factors, to a large extent uncontrollable by the Group and difficult to predict.

Specifically, the Group implements a strategy to offset the price volatility risk of the main production factors used through contractual hedging which limits changes to the prices of raw materials, energy sources and partly, selling prices.

### 3.1.4 Interest rate risk

The Group uses external debt funding and places available liquidity in market instruments. Changes in the interest rates impact on the cost and return of the various forms of loans and uses, with an effect therefore on the consolidated financial charges. The Group policy seeks to limit interest rate fluctuation risk through undertaking fixed or variable rate medium/long-term loans linked to hedging derivatives; hedging is carried out through the trading of derivative instruments (e.g. IRS - Interest Rate Swaps), utilised only for hedging purposes and not for speculative purposes. These contracts, although subscribed for hedging purposes relating to the financial exposure of the Group, were not treated as hedges for accounting purposes, given the technical complexity of the accounting demonstration of the hedging relationship and the relative effectiveness, and therefore with end-of-period Mark to Market (MTM) adjustment effects recognised directly in the consolidated income statement.

The following tables summarise the main information concerning hedging derivatives on interest rates as at December 31, 2022 (held exclusively by the Parent Company):

(in Euro thousands)	Contract opening date	Contract maturity date	Notional value at signing date in foreign currency	Notional currency	Fair value at December 31, 2022
IRS Intesa San Paolo	28/12/2021	31/12/2027	30,000	Euro	2,514
IRS Credit Agricole	29/05/2017	28/06/2024	10,000	Euro	68
IRS Intesa San Paolo	19/06/2018	31/01/2024	15,000	Euro	77
IRS Banca Popolare Milano	20/06/2018	30/06/2025	25,000	Euro	434
IRS Banca Popolare Milano	06/06/2019	30/06/2025	15,000	Euro	322
IRS Credit Agricole	09/08/2019	28/12/2025	10,000	Euro	323
IRS Intesa San Paolo	25/09/2019	31/12/2024	20,000	Euro	325
<b>Total</b>			<b>125,000</b>		<b>4,063</b>

### 3.1.5 Sensitivity analysis related to interest rate risk

With reference to interest rate risk, a sensitivity analysis was carried out to determine the effect on the consolidated income statement and consolidated shareholders' equity resulting from a hypothetical positive and negative change of 100 bps in interest rates compared to those actually recorded in each period.

The analysis was carried out by primarily focusing on the following items:

- cash and cash equivalents;
- short and medium/long-term financial liabilities.

With reference to cash and cash equivalents, reference was made to the average funds held and the average rate of return for the period. For short and medium/long-term financial liabilities, the impact was calculated on an actual basis. Financial payables settled at a fixed rate and those hedged through derivative instruments were not included in this analysis.

The table below highlights the results of the analysis:

(in Euro thousands)	Impact on Net Profit		Effect on Net Equity	
Change	+ 100 bps	- 100 bps	+ 100 bps	- 100 bps
FY 2022	(668)	668	(668)	668

Note: the plus sign indicates a higher profit and an increase in shareholders' equity; the minus sign indicates a lower profit and a decrease in shareholders' equity.

## 3.2 Credit risk

The Group's exposure to credit risk relates to the possibility of insolvency (default) and/or in the deterioration of the credit rating of a counterparty and is managed through adequate valuation instruments of all counterparties by a dedicated department, utilising the appropriate instruments to carry out constant monitoring, on a daily basis, of the behaviour and credit rating of clients. The Group hedges its credit risk through insurance policies on the client exposure, undertaken with primary debt insurance companies. External companies providing corporate information are utilised both to initially evaluate the reliability and for on-going monitoring of the economic and financial situation of clients.

The top 10 clients on the total Group trade receivables at December 31, 2022 was 48% (34% at December 31, 2021).

The following table provides a breakdown of trade receivables at December 31, 2022, grouped by due date and net of the doubtful debt provision:

(in Euro thousands)	At December 31, 2022	Not yet due	Overdue within 30 days	Overdue between 31 and 90 days	Overdue between 91 and 120 days	Overdue beyond 120 days
Guaranteed trade receivables (A)	26,968	21,837	3,442	1,284	97	308
Non-guaranteed trade receivables (B)	3,426	2,141	887	175	58	165
Non-guaranteed trade receivables impaired (C)	216	16	0	0	0	200
<b>Trade receivables before doubtful debt provision (A + B + C)</b>	<b>30,610</b>	<b>23,994</b>	<b>4,329</b>	<b>1,459</b>	<b>155</b>	<b>673</b>
Doubtful debt provision	(2,057)	0	(1,346)	(454)	(48)	(209)
<b>Trade receivables</b>	<b>28,553</b>	<b>23,994</b>	<b>2,983</b>	<b>1,005</b>	<b>107</b>	<b>464</b>

### 3.3 Liquidity risk

Liquidity risk relates to the risk of the Group being unable to meet its payment obligations due to the inability to source new funds or liquidate assets on the market. This results in a negative impact on economic performance if it is obliged to incur additional costs to meet its commitments or insolvency.

The liquidity risk to which the Group is exposed relates to the inability to source sufficient funding for operations, in addition to industrial and commercial operations. The principal factors which determine the liquidity situation of the Group are, on the one hand, the resources generated and absorbed by the operating and investment activities and on the other the maturity dates and the renewal of the payable or liquidity of the financial commitments and also market conditions.

The Group can avail of on-demand liquidity of Euro 111 million at December 31, 2022, and has a significant availability of credit lines granted by a number of leading Italian and international banks. The directors consider that the funds and credit lines currently available, in addition to those that will be generated from operating and financial activities, will permit the satisfaction of its requirements deriving from investment activities, working capital management and the repayment of debt in accordance with their maturities.

The total Group bank credit lines at year-end amount to Euro 74.1 million, completely unutilised.

The table below shows an analysis of amounts due, based on contractual repayment obligations relating to the convertible bond, leasing contracts, trade payables and other liabilities as at December 31, 2022:

(in Euro thousands)	December 2022	Within 1 year	Between 1 and 5 years	Beyond 5 years
Bond loan	83,409	13,108	51,729	18,571
Other current and non-current financial liabilities	285,122	70,038	208,039	7,045
Trade payables	126,840	126,840	0	0
Other current and non-current liabilities	34,148	25,165	8,983	0
<b>Total</b>	<b>529,519</b>	<b>235,151</b>	<b>268,751</b>	<b>25,617</b>

All the amounts in the table above refer to the nominal amounts not discounted, stated with regards to the residual contractual maturities, both in terms of the capital and interest portions. The Group expects to meet these commitments by liquidating financial assets and through cash flows that will be generated by operations.

In this risk analysis, we add the more detailed conclusions of the Directors' Report on the impact of the spread of Covid-19 (coronavirus). In particular, it can be stated that - overall and in view of the information currently available and the health emergency in progress - no impact and/or effect is seen (i) on the value of the assets shown in the financial statements (ii) on the recoverability of trade receivables (iii) on the net realisable value of inventories. As mentioned previously, the impact on the business thus far has remained, on the whole, limited. Therefore, no specific risks have been identified in terms of the Group's ability to meet its future commitments (including compliance with the "covenants" set out in certain loan agreements) and/or which may impact the Group's ability to continue as a going concern.

With regards to the recent conflict between Russia and Ukraine, it is confirmed that this situation does not have direct impacts on the company, as currently not having (i) any investment in either of the countries, nor (ii) financial instruments or liquidity in Roubles.

### 3.4 Climate change risks

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

The Group's organisational structure for many years has considered the environmental impact of its processes and products and continuously assesses possible improvement actions, with an approach firmly focused on sustainability and circularity.

This structure particularly considers the consequences for its activities, processes and local organisations from climate change, whose risk is consistently monitored and assessed. It may be stated that no significant impacts are currently expected on the operating activities carried out in the various regions in which the Group operates.

## 4. MANAGEMENT OF CAPITAL

The Group's capital management is aimed at ensuring a solid credit rating and adequate levels of capital indicators to support investment plans, in accordance with contractual obligations entered into with lenders.

The Group acquires the necessary capital to finance the needs for business development and operations; financing sources are divided into a balanced mix of risk capital and debt capital to ensure a balanced financial structure and the minimisation of the total cost of capital, for the consequent benefit of all stakeholders.

The remuneration of risk capital is monitored on the basis of the market trend and business performance, once all other obligations have been met, including the debt service; therefore, in order to ensure an adequate remuneration of capital, the safeguarding of business continuity and business development, the Group constantly monitors the development of the debt level in relation to shareholders' equity, business performance and forecasts of expected cash flows in the short and medium/long-term.

## 5. CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

The tables below illustrate the breakdown of financial assets and liabilities of the Group required by IFRS 7, as per the categories identified by IAS 39, at December 31, 2022:

	Financial assets and liabilities measured at fair value through P&L	Loans and receivables	AFS financial assets	Financial liabilities at amortised cost	Total
(in Euro thousands)					
Current and non-current financial assets	4,063	7,751	0	0	11,814
Trade receivables		28,553			28,553
Current tax receivables	0	580	0	0	580
Other current & non-current assets	0	16,288	0	0	16,288
Cash and cash equivalents	110,682	0	0	0	110,682
<b>Total</b>	<b>114,745</b>	<b>53,172</b>	<b>0</b>	<b>0</b>	<b>167,917</b>
Current and non-current financial liabilities	0	0	0	368,531	368,531
Trade payables	0	0	0	126,840	126,840
Other current and non-current liabilities	0	0	0	34,148	34,148
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>529,520</b>	<b>529,519</b>

The other financial assets and liabilities are short-term and regulated at market interest rates and therefore the book value is considered to reasonably approximate fair value.

## 5.1 Measurement of the fair value

In relation to financial instruments measured at fair value, the table below reports information on the method chosen to measure the fair value. The methods applied are broken down into the following levels, based on the information available, as follows:

- Level 1: fair value determined with reference to listed prices (not adjusted), on active markets for identical financial instruments;
- Level 2: fair value determined with valuation techniques with reference to observable variables on active markets;
- Level 3: fair value determined with valuation techniques with reference to non-observable variables on markets;

The fair value calculation is determined in accordance with the methods classified in Level 2 and the general criterion utilised for this calculation is the present value of the expected future cash flows of the instrument subject to measurement - a method commonly applied in financial practice. There were no transfers between hierarchical levels of the fair value in the periods considered.

The table below summarises the assets and liabilities measured at fair value at December 31, 2022, on the basis of the level which reflects the inputs utilised in the determination of the fair value.

(in Euro thousands)	December 2022	December 2021
Derivative financial instruments – Assets	4,063	25
Derivative financial instruments – Liabilities	0	(468)
<b>Total</b>	<b>4,063</b>	<b>(443)</b>

## 6. DISCLOSURE BY OPERATING SEGMENT

For the purposes of IFRS 8 – Operating Segments, Group activity is identifiable in a single operating segment.

In fact, the Group structure identifies a strategic and singular vision of the business and this representation is consistent with the manner in which management takes its decisions, allocates resources and defines the communication strategy. Dividing the business into separate divisions is therefore currently viewed as detrimental to its economic interests.

## 7. NOTES TO THE CONSOLIDATED BALANCE SHEET

### 7.1 Intangible assets

The breakdown in the account and changes in the period were as follows:

	Development costs	Patents & property rights	Trademarks, concessions and licenses	Other intangible assets	Intangible assets in progress	Non Contractual Customer relationships	Total
(in Euro thousands)							
<b>Balance at December 31, 2020</b>	<b>3,459</b>	<b>52</b>	<b>405</b>	<b>3,491</b>	<b>12,422</b>	<b>3,750</b>	<b>23,578</b>
<i>Historic cost</i>	4,039	5,211	4,751	16,355	12,422	5,625	48,403
<i>Acc. amort.</i>	(581)	(5,159)	(4,346)	(12,863)		(1,875)	(24,825)
Reclassifications	0	0	39	1,923	(1,906)	0	55
Increases	2,330	0	7	1,212	1,429	0	4,977
Decreases			0	(28)	0		(28)
Amortisation	(1,129)		(91)	(1,823)		(739)	(3,782)
Write-downs					(1,650)		(1,650)
Exchange diff. - Historic cost	0	2	1	27	0	647	677
Exchange diff. - Acc. amort.	0	(2)	(1)	(13)	0	(260)	(276)
<b>Balance at December 31, 2021</b>	<b>4,660</b>	<b>52</b>	<b>359</b>	<b>4,789</b>	<b>10,295</b>	<b>3,397</b>	<b>23,551</b>
<i>Historic cost</i>	6,370	5,213	4,767	19,485	10,295	6,272	52,401
<i>Acc. amort.</i>	(1,710)	(5,162)	(4,408)	(14,696)		(2,875)	(28,850)
Reclassifications	0	0	159	9,805	(9,798)	0	166
Increases	1,675	0	60	1,437	991	0	4,163
Decreases		0	0	0	(132)		(132)
Amortisation	(1,482)		(108)	(3,617)		(797)	(6,004)
Exchange diff. - Historic cost	0	(1)	(120)	24	0	(139)	(236)
Exchange diff. - Acc. amort.	0	1	1	(6)	0	94	90
<b>Balance at December 31, 2022</b>	<b>4,852</b>	<b>52</b>	<b>350</b>	<b>12,432</b>	<b>1,355</b>	<b>2,555</b>	<b>21,596</b>
<i>Historic cost</i>	8,044	5,212	5,152	30,692	1,355	6,132	56,587
<i>Acc. amort.</i>	(3,192)	(5,160)	(4,802)	(18,260)		(3,577)	(34,991)

“Other intangible assets” mainly includes the costs of development projects incurred by the Parent Company for the digitization of processes. During 2022, the bio-caprolactam production process was started on a pilot basis, resulting in a Euro 9.1 million transfer from intangible assets in progress to other intangible assets and consequently amortisation over a 5-year period began. This project (“Effective”) was coordinated by Aquafil and funded by the Bio-Based Industries Joint Undertaking (BBI JU) as part of the European Horizon 2020 research programme and focused on the production of bio-caprolactam.

The increases in the year, overall amounting to Euro 4.2 million, mainly relate to:

- for Euro 1.7 million new product development costs (IAS 38);
- for Euro 1 million costs incurred for the implementation and upgrading of the Aquafil Group’s digitization processes.

Amortisation in the year included for Euro 2 million, the beginning of amortisation on the “Effective” project, as described above.

### 7.2 Goodwill

Goodwill was Euro 15,647 thousand at December 31, 2022. This figure includes the goodwill recognised on the Aquafil O’Mara business combination in 2019 and the goodwill on the acquisition in 2020 of Aquafil Carpet Recycling, now Aquafil Carpet Collection LLC.

It should also be noted that the goodwill related to Aquafil O’Mara and Aquafil Carpet Collection LLC, having been recognised by the direct subsidiary Aquafil USA, was positively affected by the translation from Dollars to Euro as part of the consolidation process.

This value represents the excess between the consideration transferred, measured at fair value at the acquisition date, as subsequently updated, compared to the net value of the identifiable assets and liabilities of the purchase measured at fair value.



After initial recognition the goodwill is not amortised but subject to an annual impairment test as described in the previous paragraph “Impairment test - verification of recoverability”.

In accordance with the provisions of IAS 36 the Group therefore undertook a specific impairment test in order to verify the recoverability of the goodwill recognised.

The impairment test was carried out determining the value in use with the discounted cash flow method (DCF) net of income taxes in line with the post-tax discount rate utilised.

The cash flows used to apply the DCF are those included in the Group’s 2023 - 2025 business plan approved by the Parent Company’s board of directors on February 15, 2023.

The growth rate (g) applied was 2.7%, which is equal to the expected global average growth beginning in 2023.

The discounting of the cash flows was carried out on the basis of a weighted average cost of capital which reflects the current market assessment of the cost of money. The value identified was 8.2%.

A sensitivity analysis was also carried out in order to determine the change to the value assigned to the base assumptions which, after having considered any amendments as a result of this change on the other variables utilised, renders the recoverable value of the CGU equal to its carrying amount.

This analysis indicated that only significant deviations in the achievement of the Group’s business objectives, interest rates and perpetual growth rates would reduce the recoverable value to a level close to the book value, so it is not necessary, as required by IAS 36, to report in this note the effects of a sensitivity simulation.

From the impairment test carried out therefore no adjustments are required to the value of the goodwill.

### 7.3 Property, plant & equipment

The breakdown in the account and changes in the period were as follows:

(in Euro thousands)	Land & buildings	Plant & equipment	Industrial and commercial equipment	Other assets	Assets in progress	Investment property	Total before Right-of-Use	Right-of-Use	Total
<b>Balance at December 31, 2020</b>	<b>57,689</b>	<b>123,373</b>	<b>396</b>	<b>2,048</b>	<b>26,990</b>	<b>356</b>	<b>210,852</b>	<b>18,643</b>	<b>229,495</b>
<i>Historical cost</i>	<i>125,238</i>	<i>475,020</i>	<i>11,027</i>	<i>6,728</i>	<i>26,990</i>	<i>793</i>	<i>597,304</i>	<i>29,619</i>	<i>626,924</i>
<i>Acc. deprec.</i>	<i>(67,549)</i>	<i>(351,647)</i>	<i>(10,631)</i>	<i>(4,680)</i>	<i>0</i>	<i>(437)</i>	<i>(386,452)</i>	<i>(10,976)</i>	<i>(397,429)</i>
Reclassifications	1,198	11,895	13	67	(13,228)	0	(55)		(55)
Increase	205	4,342	84	138	29,863	0	34,632	7,062	41,694
Decreases	0	(121)	0	(4)	(38)	0	(163)	(259)	(424)
Write-downs	(1,016)	(276)	0	0	0	0	(1,292)		(1,292)
Depreciation	(4,237)	(25,338)	(113)	(628)	0	(12)	(30,328)	(7,913)	(38,251)
Exchange diff. - Historic cost	1,245	13,864	0	402	1,433	0	16,944	1,145	18,081
Exchange diff. - Acc. deprec.	(316)	(7,805)	1	(248)	0	0	(8,368)	(413)	(8,781)
<b>Balance at December 31, 2021</b>	<b>54,769</b>	<b>119,935</b>	<b>381</b>	<b>1,775</b>	<b>45,020</b>	<b>344</b>	<b>222,224</b>	<b>18,265</b>	<b>240,489</b>
<i>Historical cost</i>	<i>126,870</i>	<i>499,888</i>	<i>10,503</i>	<i>7,257</i>	<i>45,020</i>	<i>793</i>	<i>690,331</i>	<i>35,855</i>	<i>726,186</i>
<i>Acc. deprec.</i>	<i>(72,102)</i>	<i>(379,953)</i>	<i>(10,122)</i>	<i>(5,482)</i>	<i>0</i>	<i>(449)</i>	<i>(468,108)</i>	<i>(17,591)</i>	<i>(485,699)</i>
Change in consolidation scope	0	9	0	0	28	0	36	0	36
Reclassifications	1,873	39,134	47	38	(41,280)	0	(188)	0	(188)
Increases	371	10,119	310	489	23,574	0	34,863	10,545	45,408
Decreases	(8)	(23)	0	(5)	(163)	0	(199)	(885)	(1,084)
Depreciation	(4,374)	(28,697)	(137)	(589)	0	(12)	(33,809)	(8,329)	(42,138)
Exchange diff. - Historic cost	2,203	4,748	(25)	141	1,244	0	8,311	747	9,058
Exchange diff. - Acc. deprec.	65	(3,740)	(2)	(153)	0	0	(3,830)	(283)	(4,113)
<b>Balance at December 31, 2022</b>	<b>54,898</b>	<b>141,485</b>	<b>574</b>	<b>1,696</b>	<b>28,423</b>	<b>333</b>	<b>227,407</b>	<b>20,060</b>	<b>247,467</b>
<i>Historical cost</i>	<i>128,288</i>	<i>543,135</i>	<i>10,798</i>	<i>7,690</i>	<i>28,423</i>	<i>793</i>	<i>719,127</i>	<i>36,122</i>	<i>755,249</i>
<i>Acc. deprec.</i>	<i>(73,390)</i>	<i>(401,650)</i>	<i>(10,224)</i>	<i>(5,994)</i>	<i>0</i>	<i>(460)</i>	<i>(491,718)</i>	<i>(16,062)</i>	<i>(507,780)</i>

The increases in the year, excluding the effect of changes in “Right-of-use”, amounted to Euro 34.9 million and mainly refer to:

- for Euro 13.0 million, the technological improvement and upgrading of the existing plants and equipment;
- for Euro 7.7 million, the increase in industrial and energy efficiency at Group plant;
- for Euro 7.0 million to activities to improve industrial and energy efficiency in the production of ECONYL® caprolactam and its raw materials;
- for Euro 6.0 million to expand existing production capacity as well as the completion of the moulding polymer production project.

The reclassification from Assets in progress to other financial statement items, mainly Plant and Machinery, for a total of Euro 41 million, mainly concerns:

- approx. Euro 16 million to the reorganisation and reallocation within the Group of production plant for the treatment of end-of-life carpets (depreciated for the period of operation only);
- for approx. Euro 2 million increases on land and buildings;
- for approx. Euro 4 million the technological improvement and upgrading of existing plant and equipment;
- for approx. Euro 10.1 million the completion of the Engineering Plastics investment;
- for approx. Euro 9 million projects to improve production efficiency, projects for the improvement and technological upgrading of existing plant.

All assets in progress concern industrial investments that are either incomplete or not fully operational, but for which full operability is certain and currently envisaged in the Group’s strategic plans.

The recoverability of both intangible assets and property, plant and equipment has been assessed by way of impairment testing as described in the paragraph “Goodwill” above, and no issues concerning their recoverability have been identified.

The table below, in accordance with IFRS 16, presents the right-of-use of the non-current asset subject to the leasing contract. In particular this refers to buildings, equipment and transport and motor vehicles as illustrated in the table below.

(in Euro thousands)	Right-of-Use buildings	Right-of-Use equipment and transport vehicles	Right-of-Use motor vehicles	Right-of-Use other	Total
<b>Balance at December 31, 2020</b>	<b>14,428</b>	<b>3,470</b>	<b>673</b>	<b>72</b>	<b>18,643</b>
<i>Historical cost</i>	22,548	5,982	995	94	29,619
<i>Acc. deprec.</i>	(8,120)	(2,511)	(322)	(23)	(10,976)
Increase	5,392	822	848	0	7,062
Decreases	(107)	(17)	(135)		(259)
Depreciation	(6,111)	(1,453)	(329)	(20)	(7,913)
Exchange diff. - Historic cost	981	124	32	8	1,145
Exchange diff. - Acc. deprec.	(346)	(59)	(6)	(3)	(413)
<b>Balance at December 31, 2021</b>	<b>14,237</b>	<b>2,887</b>	<b>1,084</b>	<b>57</b>	<b>18,265</b>
<i>Historical cost</i>	28,417	5,720	1,616	102	35,855
<i>Acc. deprec.</i>	(14,180)	(2,833)	(532)	(45)	(17,591)
Increases	7,848	2,356	341	0	10,545
Decreases	(329)	(483)	(72)		(885)
Depreciation	(6,452)	(1,434)	(420)	(22)	(8,329)
Exchange diff. - Historic cost	618	87	36	6	747
Exchange diff. - Acc. deprec.	(230)	(46)	(4)	(3)	(283)
<b>Balance at December 31st 2022</b>	<b>15,691</b>	<b>3,366</b>	<b>964</b>	<b>39</b>	<b>20,060</b>
<i>Historical cost</i>	27,912	6,385	1,717	109	36,122
<i>Acc. deprec.</i>	(12,221)	(3,018)	(753)	(70)	(16,062)

Increases for the year of Euro 10.5 million refer mainly to AquafilSLO for Euro 3.9 million, the subsidiary Tessilquattro S.p.A. for Euro 1.8 million, due to new contracts for the rental of industrial vehicles and to the renewal of the contract of the property leased in Via del Garda, to Aquafil Carpet Collection for Euro 1.6 million and to the parent company Aquafil S.p.A. for Euro 1.5 million, of which Euro 0.6 million related to the renewal of the contract of the property leased in Via del Garda – Rovereto.

## 7.4 Current and non-current financial assets and investments valued at equity

The breakdown of the account is shown below (including current and non-current):

(in Euro thousands)	December 2022	December 2021
Receivables from parent companies	234	234
Equity investments in group companies	6	6
Investments valued at equity	1,018	1,018
Receivables from related parties	79	79
Escrow bank deposits	5,943	901
Investments in other companies	14	18
Current and non-current financial assets	457	308
Derivative financial instruments - Current	4,062	25
<b>Total</b>	<b>11,813</b>	<b>2,563</b>
<i>of which current</i>	<i>9,964</i>	<i>860</i>
<i>of which non-current</i>	<i>1,849</i>	<i>1,728</i>

“Receivables from parent companies” refer to guarantee deposits paid by Aquafil S.p.A. to the parent company Aquafin Holding S.p.A. over the multi-year leasing contract for the industrial and logistical use property located in Viale dell’Industria No. 5 – Verona.

“Equity investments valued at equity” concern the acquisition on October 10, 2021 of a 32% interest in the Norwegian company Nofir AS, based in Mørkved, Bodø, Norway, a European leader in the collection and treatment of end-of-life fish netting (see the Directors’ Report for more information).

“Receivables from other related parties” refer to guarantee deposits paid by Tessilquattro S.p.A. and Aquafil S.p.A. to Aquaspace S.p.A. over a multi-year leasing contract for the industrial and logistical use property located in Via del Garda 40 – Rovereto.

“Investments in other companies” relates to minor holdings.

The fair value of derivative financial instruments (IRS) reports an increase of Euro 4 million substantially due to the change in the market interest rate curve. As previously illustrated, these derivatives have not been treated, for accounting purposes and consistently with the past, as non-hedging instruments (and therefore the relative fair value is recognised in the income statement), as it is very complex to prepare the mandatory hedging relationship.

The “Escrow bank deposits”, amounting to Euro 5.9 million, are held by the Group companies Aquafil Jiaying Co Ltd and Aquafil USA Inc. These bank deposits are interest-bearing with short-term restriction and, in particular, had been subscribed by the Chinese subsidiary as early as 2021 in relation to specific collections, and the increase for the year relates entirely to that subsidiary.

## 7.5 Other non-current assets

The amount of Euro 426 thousand, relates to the receivable of the parent company Aquafil S.p.A. and Aquafil SLO d.o.o. from the European Union for the grants recognised on the “Effective” project, co-ordinated by Aquafil and funded by Bio-Based Industries Joint Undertaking (BBI JU) as part of the European Horizon 2020 research programme, with the entire chain (from raw material manufacturers to brands) involved in validating the use of bio Nylon 6 and other bio-polymer consumer market products. For further details, reference should be made to the Directors’ Report.

In particular, with the signing of the agreement between the partners and other lenders, an overall amount of Euro 3.3 million was stipulated, with deferred income recognised under Other liabilities (Note 7.16) which was equal to Euro 1.8 million at December 31, 2022. The receivable is reduced for the amounts effectively paid by the European Union, substantially recognised on the basis of the convention rules which provides for payment based on the state of advancement. At December 31, 2022, the residual receivable amounted to Euro 426 thousand.

## 7.6 Deferred tax assets and liabilities

The breakdown of the items “Deferred tax assets” and “Deferred tax liabilities” is shown below:

(in Euro thousands)	December 2022	December 2021
Deferred tax assets	11,519	12,269
Deferred tax liabilities	(9,237)	(11,158)
<b>Total</b>	<b>2,281</b>	<b>1,111</b>

The relative movement is comprised of:

(in Euro thousands)	Values at January 1, 2022	Provisions/ releases to net equity	Provisions/ releases to income P&L	At December 31, 2022
<b>Deferred tax assets</b>				
Provision for risks and charges	133		72	205
Doubtful debt provision	325	(30)	(4)	292
Measurement of employee benefits as per IAS 19	730	(83)	(164)	483
Intangible and tangible fixed assets	4,294	76	(95)	4,276
Tax losses	4,900	139	(2,606)	2,433
Inventories	1,360	27	1,513	2,900
Other	527	(163)	589	953
<b>Total deferred tax assets</b>	<b>12,269</b>	<b>(33)</b>	<b>(716)</b>	<b>11,519</b>
<b>Deferred tax liabilities</b>				
Intangible and tangible fixed assets	9,314	437	(1,099)	8,652
Other	1,844	(187)	(1,072)	585
<b>Total deferred tax liabilities</b>	<b>11,158</b>	<b>251</b>	<b>(2,171)</b>	<b>9,237</b>
<b>Total net deferred tax assets</b>	<b>1,111</b>	<b>(284)</b>	<b>1,455</b>	<b>2,281</b>
Tax transfer to parent company			(1,912)	
<b>Total deferred tax assets and liabilities recognised to the income statement</b>			<b>(457)</b>	

The breakdown of deferred tax assets is shown below:

- deferred tax assets on tangible and intangible assets, totalling Euro 4.3 million and referring mainly for Euro 3.6 million to deferred tax assets on tax relief relating to costs incurred for research and development at AquafilSLO, for Euro 0.5 million to the reversal of intangible assets due to the adoption of IAS and for the remainder mainly due to the tax effect related to the reversal of capital gains realised between Group companies recognised to the financial statements of the individual companies, but not reported in the consolidated financial statements;
- allocation of deferred tax assets on tax losses, amounting to Euro 2.4 million, concerning accumulated losses recorded (i) by the American subsidiaries for Euro 0.8 million; (ii) by AquafilSlo for Euro 0.6 million and (iii) by Aquafil S.p.A. for Euro 1.0 million related to the “Joint Audit” of fiscal year 2017; all tax losses are deemed fully recoverable. The decrease on the previous year is mainly due to:
  - write off of deferred tax assets in Aqualeuna of Euro 1,207 thousand, following the conclusion of the audits on fiscal years 2018 and 2019, as commented further in the section “Contingent liabilities,” and
  - re-absorption of tax losses in Aquafil USA of Euro 1,407 thousand;
- allocation of deferred tax assets on inventories, which amount to Euro 3 million, and mainly refer to the adjustment between HGB and IFRS accounting standards concerning the engineering contracts of the subsidiary Aquafil Engineering GmbH and the reversal of the value of intercompany profits and losses included in the warehouse value.

The “Deferred tax liabilities” mainly refers to the tax effect calculated on the temporary differences between book and tax depreciation.

The overall net decrease of Euro 2.2 million relates mainly to the reabsorption of timing differences in relation to Aquafil Engineering GmbH and the release in the parent company of deferred taxes following the lease back of a leased property.

## 7.7 Inventories

The changes in the account were as follows:

(in Euro thousands)	December 2022	December 2021
Raw materials, ancillary and consumables	98,093	75,902
Finished products and goods	162,653	100,889
Advances to suppliers	63	452
<b>Total</b>	<b>260,808</b>	<b>177,243</b>

Inventories are recorded net of the obsolescence provision amounting to Euro 0.6 million and relates to slow-moving stock.

The increase is substantially and equally due to the following two factors:

- the significant increase in the prices of raw materials and of industrial cost components and
- the increase in volumes in stock at year-end particularly of raw materials.

## 7.8 Trade receivables

The changes in the account were as follows:

(in Euro thousands)	December 2022	December 2021
Trade receivables	30,235	32,927
Parent, associates and other related parties	376	71
Doubtful debt provision	(2,057)	(1,767)
<b>Total</b>	<b>28,553</b>	<b>31,233</b>

The following table shows the movement of the doubtful debt provision:

(in Euro thousands)	December 2022	December 2021
<b>Balance at January 1, 2022</b>	(1,765)	(2,153)
Provisions	47	126
Decrease	(324)	290
Other changes	(15)	(30)
<b>Balance at December 31, 2022</b>	<b>(2,057)</b>	<b>(1,767)</b>

The decrease in trade receivables is mainly due to the improvement in collection times.

Reference should be made to the previous paragraph 3.2 for details on the credit risk management policy.

## 7.9 Current tax receivables and payables

Current tax receivables of Euro 0.6 million refer to payments on accounts paid by the company Aquafil Carpet Recycling #1 Inc. for Euro 0.5 million.

Current tax liabilities, which amounted to Euro 3.6 million and presented an increase over the previous year of Euro 1.9 million, mainly refer to amounts owed by AquafilCRO for Euro 1.2 million, Aquafil China for Euro 1.1 million and Aquafil Usa Inc. for Euro 0.8 million.

## 7.10 Other current assets

The changes in the account were as follows:

(in Euro thousands)	December 2022	December 2021
Tax receivables	9,408	3,119
Supplier advances	885	834
Pension and social security institutions	406	195
Employee receivables	275	298
Tax receivables from parent	247	3,152
Other receivables	974	1,868
Prepayments and accrued income	3,665	3,387
<b>Total</b>	<b>15,861</b>	<b>12,853</b>

This amounted to Euro 15.9 million and presented an increase of Euro 3 million compared to the previous year ended December 31, 2021 (Euro 12.9 million). The account comprises:

- receivables from the tax authorities of Euro 9.4 million, which mainly refer for Euro 2.9 million to receivables for Value Added Tax (VAT) and for Euro 6.5 million to tax credits related to various concessions granted to the parent company and Tessilquattro S.p.A. regarding energy credits, research and development credits and tax credits for Industria 4.0 investments (see also the comments in the following paragraph “Disclosures pursuant to Article 1, paragraph 125 of Law No. 124 of August 4, 2017);
- tax receivables from parent companies which refer to tax receivables from Aquafin Holding S.p.A. generated by the transfer of the tax losses of Tessilquattro S.p.A. to the tax consolidation, with Aquafin Holding S.p.A. as the consolidating entity, but through Aquafil S.p.A., which for the tax consolidation agreement remains responsible for netting in the calculation of tax receivables and payables relating to IRES (company income tax) as per Article 228 and subsequent of the Income Tax Law for the latter and Tessilquattro SpA. The sharp decrease stems from the increase in Aquafil S.p.A.’s current taxes, as a result of the profit reported for the year, which in the context of the tax consolidation reduces the receivable from the consolidated Aquafil Holding S.p.A.;
- prepayments and accrued income of Euro 3.7 million, relating for Euro 1.7 million to the parent company Aquafil S.p.A., substantially due to the prepayments for insurance premiums, ICT consultancy costs, maintenance materials and photovoltaic contributions;
- other receivables of Euro 0.9 million and receivables from personnel and social security institutions totalling Euro 0.7 million. The decrease in other receivables on the previous year is due for Euro 0.8 million to the collection of the receivable of the parent company from the company Domo Chemicals Italy S.p.A. for the financial support granted to the latter as part of the tax dispute outlined in the “Contingent liabilities” paragraph.

## 7.11 Cash and cash equivalents

The account is comprised of:

(in Euro thousands)	December 2022	December 2021
Cash and equivalents	19	18
Bank and postal deposits	110,662	152,638
<b>Total</b>	<b>110,682</b>	<b>152,656</b>

Liquidity at year-end on the current accounts of the various operating companies of the Group, decreased from Euro 152.7 million to Euro 110.7 million.

The item relates to the current account balances of the different Group companies.

The breakdown of cash and cash equivalents in Euro of foreign currencies is illustrated in the table below:

(in Euro thousands)	At December 31, 2022
EUR	69,962
HRK	14
TRL	118
USD	26,226
THB	716
CNY	7,569
AUD	274
GBP	1,865
JPY	3,940
<b>Total</b>	<b>110,682</b>

The decrease in cash and cash equivalents at December 31, 2022 compared to the previous year is due to the reduction of the excess liquidity which has significantly increased in 2020 as a prudent measure to tackle the possible effects of the continuing COVID pandemic.

In 2022 we report:

- new medium-term, unsecured loans underwritten by the Parent Company Aquafil S.p.A. for a total of Euro 94 million;
- repayments of loans totalling Euro 52 million by the Parent Company Aquafil S.p.A..

There were no restrictions on liquidity..

## 7.12 Shareholders' Equity

### Share capital

At December 31, 2022, the Company authorised share capital amounted to Euro 50,522 thousand, whose subscribed and paid-up capital amounts to Euro 49,722 thousand, while the unsubscribed and unpaid portion relates to: (i) Euro 800 thousand, the capital increase in service of Aquafil Sponsor Warrants. The subscribed and paid-up share capital is divided into 51,218,794 shares without nominal value divided into:

- 42,902,774 ordinary shares, identified by the ISIN Code IT0005241192;
- 8,316,020 special Class B shares, identified by the ISIN Code IT0005285330 which, in compliance with any legal limits, assign 3 exercisable voting rights pursuant to Art. 127-sexies of Legislative Decree No. 58/1998 in shareholders' meetings of the company and which may be converted into ordinary shares under specific conditions and circumstances as regulated by the By-Laws, at the rate of one ordinary share for each Class B share.

Following the fulfilment of that indicated at Article 5 of the By-Laws of Aquafil S.p.A., 100% of the Class C shares (i.e. 80,000 class C shares), were automatically converted into ordinary shares, according to the conversion ratio of 1 ordinary share for each Class C share, without the expression of interest from their respective holders and without any change in the total amount of the company share capital.

It is recalled that the 80,000 special Class C shares, identified by the ISIN Code IT0005241747, were without voting rights in the ordinary and extraordinary shareholders' meetings of the company and excluded from the right to receive profits which the company resolves to distribute as an ordinary, non-transferable dividend until April 5, 2022 and automatically converted into ordinary shares in the conversion ratio of 4.5 ordinary shares for each Class C share according to specific conditions and circumstances laid down by the By-Laws.

As a result of this share conversion, the Group's share capital remains at Euro 49,722,417 while the number of ordinary shares increases from 42,822,774 to 42,902,774, while the class B shares remained unchanged (8,316,020 shares) and consequently the total number of shares remains unchanged (51,218,794 shares).



The breakdown of Aquafil S.p.A.'s subscribed and paid-up share capital at December 31, 2022 is shown below:

Type of shares	No. shares	% of Share Capital	Listing
Ordinary	42,902,774	83.76%	MTA, STAR Segment
Class B	8,316,020	16.24%	Non-listed
Class C	0	0.00%	Non-listed
<b>Total</b>	<b>51,218,794</b>	<b>100.00%</b>	

On the basis of communications sent to the National Commission for Companies and the Stock Exchange (CONSOB), and received by the Company pursuant to Article 120 of Legislative Decree No. 58 of February 24, 1998, as well as the effect of the conversion of Market Warrants in the year, holders of a significant shareholding as at December 31, 2022 - i.e. considering Aquafil S.p.A.'s qualification as an SME pursuant to Article 1 (*w-quarter*) of the CFA, of a shareholding of greater than 5% of Aquafil S.p.A. share capital with voting rights.

The declarant or subject at the top of the equity chain	Direct shareholder	Type of shares	No. shares	No. of voting rights
GB&P S.r.l.	AquaFin Holding S.p.A.	Ordinary	21,554,705	21,554,705
		Class B	8,316,020	24,948,060
<b>Total</b>			<b>29,870,725</b>	<b>46,502,765</b>
<b>Holding</b>			<b>58.32%</b>	<b>68.52%</b>

### Warrants

The following were initially issued on listing:

- (i) 7,499,984 Aquafil Market Warrants, listed and identified by the ISIN Code IT0005241200, which incorporate the right to the allocation of Aquafil S.p.A. shares of Conversion Market Warrants and are exercisable under the conditions set out in the relative regulation approved by the Space3 extraordinary shareholders' meeting by resolution of December 23, 2016. Pursuant to the Aquafil S.p.A. Market Warrant Regulation (ISIN IT0005241200), December 4, 2022 was the deadline for the exercise of the Aquafil Warrants financial instruments, as 60 (sixty) months had elapsed since the date of admission to listing of Aquafil's ordinary shares (ISIN IT0005241192);
- (ii) 800,000 Aquafil Sponsor Warrants, identified by the ISIN Code IT0005241754, non-listed and exercisable within ten years from the date of December 4, 2017, payable at the unit exercise price of Euro 13.00 (on achieving a "Strike Price" of Euro 13.00), in response to the allocation of an Aquafil Share of Aquafil Conversion Sponsor Warrants for each Sponsor Warrant exercised. As commented in the Directors' Report, it should be noted that on December 4, 2022, the exercise deadline for the Aquafil Warrants financial instruments concluded, and therefore as of December 31, 2022, 2,014,322 Aquafil Market Warrants have been converted with the allotment of 498,716 Conversion Shares. As of December 31, 2022, therefore, no other Market Warrants are outstanding, while it is noted that no Aquafil Sponsor Warrants have been converted.

### Legal reserve

The legal reserve at December 31, 2022 was equal to Euro 1.3 million; the increase of Euro 0.6 million was approved by the Shareholders' Meeting of April 28, 2022 which allocated to this reserve one twentieth of the profit for the year 2021.

### Translation reserve

The translation reserve, negative at December 31, 2022 for Euro 3.1 million (increased by a positive effect of Euro 5 million in the year), includes all the differences arising from the translation into Euro of the subsidiaries' financial statements included in the consolidation scope expressed in foreign currency.

This is the effect of statement translation, so it had no impact on profits for the year, but is recognised on the consolidated comprehensive income statement as reserves to be carried forward.

### Share premium reserve

The item amounted to Euro 19.98 million at December 31, 2022 and is derived from the merger transaction between Aquafil S.p.A. and Space 3 S.p.A. in December 4, 2017.

### Listing costs/Share capital increase reserve

The item amounted to Euro 3.29 million at December 31, 2022 as a decrease in shareholders' equity and relates to the costs incurred in 2017 for the listing and thereafter the share capital increase.

### "First Time Adoption" Reserve (FTA)

The item amounts to Euro 2.39 million as a reduction of shareholders' equity and represents the conversion effects from Italian GAAP to IFRS.

### IAS 19 reserve

At December 31, 2022, it was equal to a Euro 0.4 million reduction in shareholders' equity and includes the actuarial effects at that date of severance indemnities and all the other benefits for employees of Group companies.

### Negative reserve for treasury shares in portfolio

The negative reserve for treasury shares in portfolio totalled Euro 8 million at December 31, 2022.

It should be noted that, on October 20, 2021, Aquafil S.p.A. announced that the Company's Shareholders authorised the purchase of treasury shares in accordance with Article 2357 of the Italian Civil Code. This authorisation by Shareholders has a duration of 18 months from the date of the authorising resolution. The operation is aimed at enabling the Company to purchase and/or make use of the Company's ordinary shares for: (i) making investments and limiting anomalous changes in share prices so as to promote regular trading outside of normal fluctuations tied to market trends, while, in any event, observing applicable laws and regulations; and (ii) establishing a securities reserve for future uses in accordance with the strategies that the Company intends to pursue as payment in corporate transactions with other parties or other extraordinary uses. The Shareholders authorised the purchase, in one or more tranches, of ordinary shares up to a maximum number which, taking account of the ordinary shares which may be held in portfolio by the company and by its subsidiary, does not total more than 3% of share capital.

As a result of the purchases made as of December 31, 2022, Aquafil holds 1,181,685 treasury shares, equivalent to 2.3071% of the share capital for a value of Euro 8,015 thousand.

### Retained earnings

At December 31, 2022, the account amounts to Euro 92.5 million and represents the results generated by the Aquafil Group in previous years (including pre-merger with Space3 S.p.A.) net of the distribution of dividends.

### Dividends

The Shareholders' Meeting held on April 28, 2022 approved the distribution of a gross dividend of Euro 6 million, which was paid out on May 11, 2022.

### Equity attributable to non-controlling interests

As illustrated in paragraph 2.3 "Consolidation scope" and consolidation criteria, the minority interests shareholders' equity substantially reduced to zero.

## 7.13 Employee benefits

The account is comprised of:

(in Euro thousands)

<b>Balance at December 31, 2021</b>	<b>5,910</b>
Financial charges	66
Advances and settlements	(159)
Actuarial gains/(losses)	(625)
<b>Balance at December 31, 2022</b>	<b>5,192</b>

The post-employment benefits provision includes the effects of discounting as required by the IAS 19 accounting standard. The following is a breakdown of the main economic and demographic assumptions used for actuarial valuations:

	December 31, 2022
<b>Financial assumptions</b>	
Discount rate	3.57%
Rate of inflation	2.30%
Annual increase in employee leaving indemnity	3.23%
<b>Demographic assumptions</b>	
Death	The RG48 mortality tables published by the General State Controller
Disability	INPS tables by age and gender
Retirement	100% on satisfying AGO requirements
<b>Annual frequency of Turnover and leaving in-demnity advances</b>	
Frequency advances	4.50%
Frequency turnover	2.50%

The bond's average duration at December 31, 2022 is approximately 6.4 years.

## 7.14 Current and non-current financial liabilities

The account is comprised of:

(in Euro thousands)	December 2022 <i>of which current portion</i>		December 2021 <i>of which current portion</i>	
Medium/long term bank loans	263,114	60,880	215,248	48,932
Accrued interest and accessory charges on medium/long-term bank loans	(399)	(399)	(549)	(549)
<b>Total medium/long-term bank loans</b>	<b>262,715</b>	<b>60,481</b>	<b>214,699</b>	<b>48,384</b>
Bond loans	83,158	12,857	90,353	7,143
Accrued interest and charges on bonds	251	251	316	316
<b>Total bond loan</b>	<b>83,409</b>	<b>13,108</b>	<b>90,670</b>	<b>7,459</b>
Leasing and RoU financial payables	21,074	8,224	26,820	13,393
Other lenders and banks – short term	1,333	1,333	203	203
<b>Total</b>	<b>368,531</b>	<b>83,146</b>	<b>332,859</b>	<b>69,438</b>

### Medium/long term bank loans

This item refers to payables relating to financing agreements obtained from credit institutions.

These agreements stipulate the payment of interest at a fixed rate or, alternatively, at a variable rate typically linked to the Euribor rate for the period plus a spread.

At year-end all the Group's loans had been contracted by Aquafil S.p.A., in view of its positive rating and the favourable situation within the Italian financial market. During the year, Aquafil S.p.A. thus provided financial support, through loans and share capital increases, to the investment activities of subsidiaries, particularly in Slovenia.

During 2022, loans were repaid on schedule and new medium/long term loans totalling Euro 94 million were entered into with leading banking institutions.

The funds raised were used to maintain liquidity.

With reference to the loans granted, there are no mortgages or guarantees registered on company assets.

	Original amount	Granting date	Maturity date	Loan repayments	Rate applied	At December 31, 2022	of which current portion
(in Euro thousands)							
<b>Medium/long term bank loans - fixed rate</b>							
Cassa Centrale Banca - Credito Cooperativo del Nord Est (ex Casse Rurali Trentine) (*)	15,000	2019	2026	Quarterly from 30/09/2021	1.25% fixed from 01/07/2024 3 months Euribor + 1%	10,598	2,981
Cassa Centrale Banca (*)	11,000	2022	2029	22 quarterly instalments	1.20% fixed for the first 4 years	11,000	484
Credito Valtellinese (*)	15,000	2018	2024	Quarterly from 05/10/2018	1% fixed	7,566	4,307
Mediocredito Trentino Alto Adige	3,000	2022	2026	Half-yearly from 15/10/2022	0.85% fixed until 10/15/2022 Euribor 3 months +1%	3,000	247
Cassa Depositi e Prestiti (*)	20,000	2020	2027	Half-yearly from 20/06/2023	1.48% fixed	20,000	4,000
<b>Total medium/long term bank loans - fixed rate</b>			<b>52,164</b>	<b>12,019</b>			
<b>Medium/long term bank loans - variable rate</b>							
Deutsche Bank (*)	5,000	2018	2024	Quarterly from 15/01/2019	Euribor 3 months + 1.20%	2,188	1,250
Deutsche Bank (*)	20,000	2022	2028	20 quarterly from 01/10/2023	Euribor 3 months + 1.20%	20,000	2,000
Cassa Risparmio di Bolzano (*)	20,000	2018	2025	Quarterly from 31/03/2020	Euribor 3 months + 0.85%	12,102	4,000
Cassa Risparmio di Bolzano (*)	10,000	2022	2028	16 Quarterly from 31/12/2024	Euribor 3 months + 1.05%	10,000	0
Banca Intesa (*) (**)	15,000	2018	2024	10 Half-yearly from 31/07/2019	Euribor a 6 months + 0.95%	5,143	2,571
Banca Intesa (*) (**)	30,000	2021	2027	Half-yearly from 30/06/2023	Euribor a 6 months + 1.10%	30,000	6,000
Banca di Verona	3,500	2016	2023	Quarterly from 30/06/2017	Euribor 3 months + 1.80%	333	333
Banca di Verona	15,000	2017	2024	Quarterly from 30/06/2017	Euribor 3 months + 2%	5,836	3,210
Banca di Verona	3,000	2019	2024	Quarterly from 06/08/2021	Euribor 3 months + 1.30%	1,909	727
Banca di Verona	5,000	2022	2027	Quarterly from 27/04/2024	Euribor 6 months + 1.20%	5,000	0
Credito Valtellinese	3,000	2017	2023	Quarterly from 05/07/2017	Euribor 3 months + 0.90%	457	459
Cassa Rurale Raiffeisen Alto Adige	3,000	2017	2023	Quarterly from 30/06/2018	Euribor 3 months + 0.90%	191	191
Banca Popolare di Milano (*) (**)	25,000	2018	2025	Quarterly from 31/03/2020	Euribor 3 months + 0.90%	16,011	4,394
Banca Popolare di Milano (*) (**)	15,000	2019	2025	Quarterly from 30/09/2020	Euribor 3 months + 1.05%	9,070	2,926
Banca Popolare Emilia Romagna (*) (**)	10,000	2019	2025	Monthly from 26/09/2020	Euribor 3 months + 0.75%	6,700	2,497
Banca Nazionale del Lavoro (*)	7,500	2018	2025	Half-yearly from 31/12/2019	Euribor 6 months +1.40%	4,091	2,045
Banca Nazionale del Lavoro (*)	12,500	2018	2025	Half-yearly from 31/12/2019	Euribor 6 months +1.25%	6,818	3,409
Banca Nazionale del Lavoro (*)	20,000	2022	2027	Quarterly from 08/12/2023	Euribor 3 months + 1.40%	20,000	1,250
Banca Popolare di Sondrio	5,000	2017	2023	Monthly from 31/08/2018	Euribor 1 mese + 0.80%	739	739
Credit Agricole Friuladria (ex Banca Popolare Friuladria) (*) (**)	10,000	2017	2025	Quarterly from 31/03/2019	Euribor 3 months + 1.30%	4,607	1,800
Credit Agricole Friuladria (ex Banca Popolare Friuladria) (*) (**)	10,000	2019	2025	Half-yearly from 28/12/2020	Euribor 6 months + 1.05%	5,455	1,819
Monte dei Paschi (*)	15,000	2018	2025	Half-yearly from 31/12/2019	Euribor 6 months + 0.80%	9,375	3,750
Crediti Emiliano	5,000	2022	2027	Quarterly from 16/09/2023	Euribor 1 mese + 0.90%	5,000	522
Banca del Mezzogiorno (*) (**)	10,000	2019	2026	Quarterly from 09/11/2020	Euribor 1 mese + 1.20%	6,500	2,000
Cassa Depositi e Prestiti (*)	20,000	2022	2027	Half-yearly from 30/06/2024	Euribor 6 months + 1.55%	20,000	0
Credito Valtellinese (*)	5,000	2020	2025	Quarterly from 30/09/2021	Euribor 3 months + 1.40%	3,425	969
<b>Total medium/long term bank loans - variable rate</b>						<b>210,950</b>	<b>48,861</b>
Accrued interest on medium/long term bank loans						(399)	(399)
<b>Total medium/long term bank loans - fixed and variable rate</b>						<b>262,715</b>	<b>60,481</b>

(\*) Loans that provide for compliance with financial covenants.

(\*\*) Loan to which an interest rate swap contract is linked under which interest to be paid to the bank is fixed and equal to the value shown in the table.

Certain loan agreements provide for compliance with financial and equity covenants, as summarised below:

Loan	Period	Parameter	Reference	Limit
Banca Friuladria	Annually	Net Debt/Net Equity	Group	≤ 2.50
	Annually	Net debt/EBITDA net of lease costs		≤ 3.75
Banca Intesa	Annually	Net Debt/Net Equity	Group	≤ 2.50
	Annually	Net Debt/EBITDA		≤ 3.75
Cassa di Risparmio di Bolzano	Annually	Net Debt/Net Equity	Group	≤ 2.50
	Annually	Net Debt/EBITDA		≤ 3.75
Banca Nazionale del Lavoro	Annually	Net Debt/Net Equity	Group	≤ 2.50
	Annually	Net Debt/EBITDA		≤ 3.75
Banca Popolare di Milano	Annually	Net Debt/Net Equity	Group	≤ 2.50
	Annually	Net Debt/EBITDA		≤ 3.75
Credito Valtellinese	Annually	Net Debt/Net Equity	Group	≤ 2.50
	Annually	Net Debt/EBITDA		≤ 3.75
Deutsche Bank	Annually	Net Debt/Net Equity	Group	≤ 2.50
	Annually	Net Debt/EBITDA		≤ 3.75
Monte dei Paschi	Annually	Net Debt/Net Equity	Group	≤ 2.50
	Annually	Net Debt/EBITDA		≤ 3.75
Casse Centrali C.R. Trentine	Annually	Net Debt/Net Equity	Group	≤ 2.50
	Annually	Net Debt/EBITDA		≤ 3.75
Banca Popolare Emilia Romagna	Annually	Net Debt/Net Equity	Group	≤ 2.50
	Annually	Net Debt/EBITDA		≤ 3.75
MCC/Banca del Mezzogiorno	Annually	Net Debt/Net Equity	Group	≤ 2.50
	Annually	Net Debt/EBITDA		≤ 3.75
Cassa Depositi e Prestiti	Annually	Net Debt/Net Equity	Group	≤ 2.50
	Annually	Net Debt/EBITDA		≤ 3.75
	Annually	Net Debt/Net Equity		≤ 2.50

As at December 31, 2022, all covenants were met.

With reference to the loans granted, there are no mortgages registered on Group assets.

### Bond loans

The Company has two fixed-rate bonds outstanding, with a total original value of Euro 90 million, which at December 31, 2022 amounted to Euro 83.4 million, decreasing on the previous year by approx. Euro 7.3 million due to the repayment of the instalment due in 2022. The outstanding bonds have the following features:

- a first bond loan (“A”), initially issued on June 23, 2015 and subscribed by companies belonging to the US Group Prudential Financial Inc., with a value equal to Euro 50 million, to be repaid in 7 equal instalments of Euro 7.1 million, of which the first with maturity on September 20, 2022 and the last on September 20, 2028, subject to a fixed interest rate of 3.70% with the application of a “margin ratchet” condition which provides for a gradual increase in the rate up to a maximum of 1% on the fluctuation of the NFP/EBITDA ratio of the Group. With effect from September 20, 2019, as a result of the variation in the NFP/EBITDA ratio in the first half of 2019, the interest rate increased to 4.70%. Application of this interest rate was confirmed until September 30, 2021. The NFP/EBITDA ratio resulting from approval of the financial statements at June 30, 2021 led to a reduction in the interest rate applicable for the period September 2021 to March 2022 to 4.20%. With the ratio reported at December 31, 2021, the margin ratchet has been brought to zero, bringing the interest rate for the six months subsequent to March 2022 to 3.70%. Due to the NFP/EBITDA ratio resulting from the approval of the 2022 half-yearly consolidated financial statements, the application of the interest rate at 3.70% is confirmed until March 2023. It is noted that the first instalment of Euro 7.1 million was repaid on September 20, 2022;
- in addition to the line of credit used for the “A” bond loan, the Prudential Group has granted the company a so-called “Shelf Facility” available on request and usable up to a maximum amount of approx. USD 90 million. This line was partially used to cover the issuance of the second bond (“B”) and remains available at current market conditions for approx. USD 50 million. Bond B was issued on May 24, 2019 to finance the business combination of Aquafil O’Mara Inc., and subscribed by companies belonging to the US Group Prudential Financial Inc. for a total of Euro 40 million; the terms provide for repayment in 7 annual instalments from May 24, 2023, a fixed interest rate equal to 1.87%, with the application of the same margin ratchet condition as for bond A, which brought the rate to 2.87% until November 24, 2021, whereas, from November 25, 2021, to May 24, 2022, following changes in the NFP/EBITDA ratio, the rate will be 2.37%. With the ratio reported at December 31, 2021, the margin ratchet has been brought to zero, bringing the interest rate for the six months subsequent to May 2022 to 1.87%. Due to the NFP/EBITDA ratio resulting from the approval of the 2022 half-yearly consolidated financial statements, the application of the interest rate at 1.87% is confirmed until May 2023.

The following table summarises the main characteristics of the aforementioned bond loans:

Bond loan	Total nominal value	Issue date	Maturity date	Capital portion repayment plan	Interest rate applied
Bond loan A	50,000,000	23/06/2015	20/09/2028	7 annual instalments from 20/09/2022	3.70%
Bond loan B	40,000,000	24/05/2019	24/05/2029	7 annual instalments from 24/05/2023	1.87%

Bond loans envisage compliance with the following financial covenants, as contractually defined, to be calculated on the basis of the Group's consolidated financial statements:

#### Bond loan A – B

Financial parameters	Parameter	Covenant limit
Interest Coverage Ratio	EBITDA/Net financial charges	> 3.50
Leverage Ratio (*)	Net Debt/EBITDA	< 3.75
Net Debt Ratio	Net Debt/Net Equity	Minimum Net Equity threshold levels

(\*) This indicator must be calculated with reference to the 12-month period which terminates on December 31 and June 30 for all years applicable.

Non-compliance with just one of the above financial parameters, where not resolved within the contractual deadlines provided, would constitute a circumstance for the bond loan's compulsory early repayment. The terms and conditions of the above bond loans also envisage, as is customary for financial transactions of this type, a structured series of commitments to be borne by the Company and Group companies ("Affirmative Covenants") and a series of limitations on the possibility of carrying out certain transactions, if not in compliance with certain financial parameters or specific exceptions provided for by the agreement with the bondholders ("Negative Covenants"). Specifically, there are in fact certain limitations on the assumption of financial debt, on carrying out certain investments and on acts of disposal of corporate assets. To ensure the timely and correct fulfilment of obligations arising on account of the Parent Company from the issue of securities, the companies Aquafil Usa Inc. and Aquafil SLO d.o.o. have issued joint corporate guarantees in favour of underwriters:

As specified previously, the covenants at December 31, 2022 have been met for bond loans also. It should also be noted that on the basis of the Group's earnings and debt forecasts, to date there are no elements to consider compliance with the above covenants to be at risk in the near future.

#### Lease liability

Financial payables for leases, which amounted to Euro 21.1 million, reducing on December 31, 2021 (amounting to Euro 26.8 million), refer to the effects of the application of IFRS 16 and whose current portion amounted to Euro 8.2 million. The decrease is mainly due to the down-payment of Euro 5.5 million on the Trentino Sviluppo leasing contract of the parent company.

## 7.15 Provisions for risks and charges

The account is comprised of:

(in Euro thousands)	December 2022	December 2021
Agents' supplementary indemnity provision and others	1,734	1,361
Guarantee fund on client engineering orders	241	567
<b>Total</b>	<b>1,975</b>	<b>1,929</b>

The balance at December 31, 2022 of Euro 1.9 million is in line with December 31, 2021.

## 7.16 Other current and non-current liabilities

The account is comprised of:

(in Euro thousands)	December 2022		December 2021	
		<i>of which current portion</i>		<i>of which current portion</i>
Employee payables	12,532	12,532	12,824	12,824
Social security payables	3,229	3,229	3,103	3,103
Payables to parent for income taxes	230	230	230	230
Tax payables	2,125	2,125	2,535	2,535
Other payables	1,215	1,215	2,514	2,514
Accrued liabilities and deferred income	14,817	5,832	15,215	4,402
<b>Total</b>	<b>34,148</b>	<b>25,163</b>	<b>36,421</b>	<b>25,608</b>

“Employee payables” refers to sums due by Group companies to their employees at the end of the year and amounts to Euro 12.5 million, in line with December 31, 2021 (Euro 12.8 million). This movement, although amid higher labour costs, is due to a number of factors, including turnover and the utilisation of vacation periods.

“Social security payables” mainly includes the amount owed at year-end by the Group companies and their employees to social security institutions and amounts to Euro 3.2 million, in line with December 31, 2021.

“Payables to parent for income taxes” entirely refer to Tessilquattro S.p.A. payables to the parent company Aquafil Holding S.p.A. as per the tax consolidation regime.

“Tax payables” mainly include withholding taxes and other tax payables.

Accrued liabilities and deferred income mainly comprise:

- the commercial contract with the US group Interface, involving a worldwide collaboration for supply and product development. In particular, Aquafil SpA undertook an obligation until 2026 to guarantee Interface conditions of supply, against which the client, in addition to committing to annual minimum volumes, paid to Aquafil USD 24 million in advance. At December 31, 2022, this deferred revenue (recognised to deferred income) amounts to Euro 7.4 million;
- deferral of the industry 4.0 tax credit obtained due to the investment related to the new three production lines installed at the Rovereto plant in the Engineering Plastics segment for Tessilquattro amounting to Euro 1.9 million (for further details, please refer to the following section “Other revenues and income”);
- the deferral of the portion pertaining to future years of the contribution obtained from the European Union for the “Effective” research project, described in the Directors’ Report and also commented on in the notes 7.5 and 7.1. The original deferred income recognised for Euro 3.3 million which concerns the overall contribution recorded at the signing date of the agreement with lending banks (with counter-entry to Other non-current assets), amounts to Euro 1.8 million at December 31, 2022. It should be noted that from 2019 onwards, costs relating to the “Effective” project have been capitalised under intangible assets in progress for the portion eligible under IAS 38. Therefore, the residual contribution concerning the capitalised portion is recognised to the income statement from the present year, for a period of 5 years, as the asset has been capitalised and is depreciated over that timeframe.

## 7.17 Trade payables

The account is comprised of:

(in Euro thousands)	December 2022	December 2021
Trade payables	125,445	122,507
Payables to parent, associates and other related parties	270	352
Payments on account	1,126	3,707
<b>Total</b>	<b>126,840</b>	<b>126,566</b>

Trade payables amount to Euro 126.8 million, substantially in line with December 31, 2021 (Euro 126.6 million).

At December 31, 2022 there were no commercial payables falling due over five years.



## 8. NOTES TO THE CONSOLIDATED INCOME STATEMENT

### 8.1 Revenues

The breakdown of revenues is shown below:

	December 2022		December 2021		Change	
	in Euro millions	%	in Euro millions	%	in Euro millions	%
EMEA	372.91	55%	345.37	57%	27.54	8%
North America	202.09	30%	128.26	25%	73.83	58%
Asia and Oceania	105.79	15%	93.29	17%	12.50	13%
Rest of the world	3.28	0%	2.78	0%	0.50	18%
<b>Total</b>	<b>684.07</b>	<b>100%</b>	<b>569.70</b>	<b>100%</b>	<b>114.37</b>	<b>20%</b>

Revenues almost entirely include the value of the sale of goods of the three Group product lines described above, that is, the BCF Product Line (carpet fibers), the NTF Product Line (clothing fibers) and the Polymers Product Line.

Revenues by Product Line are presented in the Directors' Report, which reports that the significant increase in revenues mainly relates to the BCF line (increase of Euro 119.5 million, +32.7% on 2021) and particularly on the North American market (increase of Euro 74.5 million, +81.3% on 2021). The Polymers segment however reported a decrease of Euro 20.6 million due to the market slowdown.

In general, the increase in revenues related to an increased quantity of volumes sold, in addition to an increase in sales prices prompted by the higher raw material and production costs.

"Revenues" include, in accordance with IFRS 15, "cash discounts" as a direct reduction, amounting to Euro 3.8 million at December 31, 2022 (Euro 3 million at December 31, 2021).

### 8.2 Other revenues and income

"Other revenues and income" amount to Euro 13 million and refers mainly to:

- Euro 7.2 million for the energy and gas tax credit subsidy granted during the year (to Aquafil S.p.A. and Tessilquattro S.p.A.) for electricity-intensive and natural gas-intensive companies that have met the requirements under the regulations (Decree Law No. 4 of 01/27/2022); the increase in the other revenues item is mainly related to this subsidy;
- Euro 0.3 million regarding the year's portion of deferral of tax credits for 4.0 investments, due to the higher investments made starting from the year 2020, eligible for the tax relief provided by Article 1 of Law 232 of December 11, 2016 and subsequent. It should be noted that the recognised credit amounts to Euro 2.6 million and will be used to offset other taxes;
- Euro 4.1 million grants received for the U.S. activities, mainly for the recovery of end-of-life carpets;
- Euro 0.6 million regarding the portion in the year of the deferral related to the grant recognised by the EU for the "Effective" research project, relating to the parent company Aquafil S.p.A. for Euro 0.3 million and the subsidiary AquafilSlo for Euro 0.3 million.

### 8.3 Raw material costs

The account includes raw materials and consumables costs, in addition to changes in inventories.

The account is comprised of:

(in Euro thousands)	December 2022	December 2021
Raw materials and semi-finished goods	275,505	250,103
Ancillaries and consumables	34,830	28,433
Other purchases and finished products	7,480	5,086
<b>Total</b>	<b>317,815</b>	<b>283,622</b>

Raw materials, ancillaries and consumables amount to Euro 317.8 million, increasing Euro 34.2 million on the previous year (+12%). This increase is mainly due to the increase in raw material purchase prices (mainly caprolactam and polymer) in the year.

## 8.4 Service costs

The account is comprised of:

(in Euro thousands)	December 2022	December 2021
Transport, shipping & customs	34,940	21,626
Electricity, propulsive energy, water and gas	77,529	44,048
Maintenance	10,364	9,092
Services for personnel	6,210	3,820
Technical, ICT, commercial, legal & tax consultancy	10,360	9,405
Insurance	3,428	2,455
Marketing and advertising	4,341	3,739
Cleaning, security and waste disposal	4,002	3,619
Warehousing and external storage	4,483	3,913
External processing	5,777	4,401
Other sales expenses	298	201
Statutory auditors fees	161	166
Other service costs	4,068	3,866
Rentals and hire	2,510	2,217
<b>Total</b>	<b>168,472</b>	<b>112,567</b>

Service costs amount to Euro 168.5 million, increasing Euro 55.9 million on 2021 (Euro 112.6 million). This increase, related to the increase in production and sales volumes, was particularly evident for energy costs in terms of the increases in the year, in addition to transport and shipping costs.

## 8.5 Labour costs

These costs are broken down as follows:

(in Euro thousands)	December 2022	December 2021
Wages and salaries	97,772	88,415
Social security charges	20,783	18,837
Post-employment benefits	2,003	1,944
Other non-recurring costs	1,565	1,700
Director fees	4,753	3,332
<b>Total</b>	<b>126,875</b>	<b>114,228</b>

Labour costs amount to Euro 126.8 million, increasing Euro 12.6 million on 2021. This increase is mainly due to the increased average cost in view of salary rises.

Other non-recurring costs mainly concern the leaving incentives incurred by Aquafil Carpet Collection LLC for Euro 0.5 million, Aquafil-SLO for Euro 0.4 million and Aquafil S.p.A. for Euro 0.2 million.

The number of employees, broken down by category, is as follows:

	December 31, 2022	December 31, 2021	Average 2022	Average 2021
Managers	47	52	51	51
Middle managers	160	154	157	145
White-collar	433	433	433	428
Blue-collar	2,132	2,166	2,155	2,124
<b>Total</b>	<b>2,772</b>	<b>2,805</b>	<b>2,796</b>	<b>2,748</b>

## 8.6 Other operating costs and charges

These costs are broken down as follows:

(in Euro thousands)	December 2022	December 2021
Taxes, duties & sanctions	2,494	2,533
Losses on asset sales	167	102
Other operating charges	1,377	785
<b>Total</b>	<b>4,038</b>	<b>3,420</b>

“Other operating costs and charges” amounted to Euro 4 million, increasing Euro 0.6 million on 2021. The account mainly comprises “Taxes, duties and sanctions” for Euro 2.5 million, which mainly concern local property taxes and for Euro 1.4 million “Other operating charges”.

## 8.7 Amortisation, depreciation and write-downs of tangible and intangible assets

The account is comprised of:

(in Euro thousands)	December 2022	December 2021
Amortisation	6,252	3,482
Depreciation	33,270	30,327
RoU (Right-of-Use) depreciation	8,329	7,913
Write-down of intangible assets	0	1,650
Impairment – other tangible assets	0	1,292
<b>Total</b>	<b>47,851</b>	<b>44,964</b>

Amortisation and depreciation totalled Euro 47.9 million, increasing Euro 2.9 million on 2021. The increase concerns straight-line amortisation and depreciation of fixed assets, which have increased significantly in recent years and the beginning of amortisation and depreciation on the bio-caprolactam project.

## 8.8 Provisions and write-downs

The account is comprised of:

(in Euro thousands)	December 2022	December 2021
Doubtful debt provision	(42)	(126)
Provisions for risks and charges	222	254
<b>Total</b>	<b>180</b>	<b>129</b>

“Provisions and write-downs” total Euro 180 thousand and were substantially in line with 2021 (Euro 129 thousand).

## 8.9 Costs for internal work capitalised

In 2022 this item, amounting to Euro 5,7 million (Euro 6.1 million in 2021), refers to capitalisation of the following projects:

- Euro 1.7 million on new product development costs (IAS 38);
- Euro 1.1 million on improving industrial and energy efficiency at Group plant;
- Euro 0.7 million on the improvement and technological upgrading of existing plant and equipment;
- for Euro 0.6 million to activities to improve industrial and energy efficiency in the production of ECONYL® caprolactam and its raw materials;

## 8.10 Financial income

The account is comprised of:

(in Euro thousands)	December 2022	December 2021
Derivative financial instruments	4,506	599
Other interest	73	7
Interest income current accts.	290	308
<b>Total</b>	<b>4,869</b>	<b>915</b>

“Financial income” amounted to Euro 4.9 million, increasing Euro 4 million on the previous year, substantially due to the increase in the fair value of derivatives (IRS) due to interest rate curve movements. As previously illustrated, “hedge accounting” was not applied to these derivatives as, although entered into for hedging purposes, have been considered for accounting purposes and consistently with the past, as non-hedging instruments (and therefore the relative fair value is recognised in the income statement), as it is very complex to prepare the mandatory hedging relationship.

## 8.11 Financial charges

The account is comprised of:

(in Euro thousands)	December 2022	December 2021
Interest on bank loans and borrowings	3,197	2,478
Interest on bonds	2,705	3,454
Interest exp. on current accounts	797	846
Write-down of derivative financial instruments	0	0
Financial charges and interest expense	1,669	772
<b>Total</b>	<b>8,369</b>	<b>7,550</b>

“Financial charges” of Euro 8.4 million increased Euro 0.9 million on the previous year, mainly due to the increase in interest on bank loans, partially offset by the lower interest on outstanding bonds.

## 8.12 Exchange gains and losses

The breakdown of the account is as follows:

(in Euro thousands)	December 2022	December 2021
Total exchange gains	16,068	5,221
Total exchange losses	(13,286)	(5,463)
<b>Total exchange differences</b>	<b>2,783</b>	<b>(243)</b>

A net gain of Euro 2.8 million is reported for 2022, as the net balance between realised exchange gains and losses.

## 8.13 Income taxes

The breakdown of the account is as follows:

(in Euro thousands)	December 2022	December 2021
Current taxes	7,259	2,557
Deferred taxes	458	1,376
<b>Total</b>	<b>7,717</b>	<b>3,934</b>

Current taxes in 2022 totalled Euro 7.3 million and concern for Euro 6 million the income taxes of the overseas investees and for Euro 0.6 million the IRAP paid by the parent company Aquafil S.p.A. and for Euro 0.6 million the prior year taxes of the parent company following the settlement of the assessments for tax years 2015 and 2016, as outlined in detail in the “Contingent liabilities” paragraph.

Aquafil S.p.A. and Tessilquattro S.p.A. opted for the group taxation procedure as chosen by Aquafin Holding S.p.A. in accordance with Article 117 and subsequent of the Income Tax Code. Therefore, the consolidated financial statements take account of the effects of the transfer of tax positions arising from the “tax consolidation” and specifically recognise the consequent credit/debit relationships towards the consolidating company. For 2022, taxable income was transferred to the consolidating company, generating deferred tax liabilities (i.e. costs from tax consolidation) of Euro 1.9 million.

The table below shows the reconciliation of the theoretical rate of income tax with the actual impact on the result:

(in Euro thousands)	At December 31, 2022	%	At December 31, 2021	%
<b>Pre-tax profit</b>	<b>36,868</b>		<b>14,604</b>	
Tax calculated on applicable rate	8,848	24%	3,505	24%
Effect difference between local and actual rates	3,725	10%	2,464	17%
Prior year taxes	647		(662)	
Tax losses carried forward for which no deferred tax asset recorded	(1,912)		(1,999)	
Tax effect other changes	(2,121)		(1,073)	
Other income taxes and other minor effects	(1,929)		322	
<b>Total current income taxes</b>	<b>7,259</b>	<b>20%</b>	<b>2,557</b>	<b>18%</b>
Deferred tax income & charges	458		1,376	
<b>Total income taxes</b>	<b>7,718</b>	<b>21%</b>	<b>3,934</b>	<b>27%</b>

The difference between theoretical rate and effective rate in the year is mainly due to government grants received by the parent company Aquafil S.p.A. and its subsidiary Tessilquattro S.p.A. that are not taxable.

## 8.14 Non-recurring items

The account is comprised of:

(in Euro thousands)	December 2022	December 2021
Non-recurring charges	530	235
Expansion costs Aquafil Group	417	275
ACR2 non-recurring costs and reve-nues	853	1,623
Restructuring and other labour costs	1,109	505
Tax disputes	123	276
<b>Total non-recurring costs</b>	<b>3,032</b>	<b>2,915</b>
Extraordinary income	(132)	(426)
Non-current deferred tax assets		
<b>Total non-recurring income</b>	<b>(132)</b>	<b>(426)</b>
<b>Non-operating income and charges</b>	<b>2,901</b>	<b>2,489</b>

The item “Non-recurring charges” mainly refers to costs relating to previous years.

“Expansion costs of the Aquafil Group” refer to costs incurred for the activities and projects related to the expansion of the Group, in particular in India and the listing on the US OTC Markets.

The tax dispute refers to costs for fiscal consulting incurred in relation to the joint audit consequent to the position paper received by Aqualeuna GmbH on the tax audit by the “Bundeszentralamt für Steuern” office responsible for intercompany transactions in the region for the years 2016 and 2017.

“Non-recurring ACR2 costs” refer mainly to costs incurred by Aquafil Carpet Recycling # 2, whose production lines were transferred to other Group companies, as part of the project to reallocate assets in order to achieve production efficiency gains in support of the ECONYL® system.

“Restructuring and other labour costs” refer mainly to the provisions of AquafilSlo for its restructuring process and the leaving incentive settled by the parent company. Reference should also be made to paragraph 8.5 on labour costs.

The tax dispute refers to costs for fiscal consulting incurred by the parent company in relation to the joint audit consequent to the position paper received by Aqualeuna GmbH on the tax audit by the “Bundeszentralamt für Steuern” office responsible for intercompany transactions in the region.

Extraordinary income includes some individually insignificant items recognized by various Group companies.

The percentage of the non-recurring items of the result, of cash flows, of the equity position, and of the net debt, are reported below.

		<i>of which non-recurring</i>	<i>Percentage</i>
Net profit	29,151	(2,901)	(10.0)%
Net cash flow in the year	(41,974)	(2,342)	5.6% (*)
Total assets	724,955	(559)	(0.1)% (**)
Net financial debt	(247,885)	(2,342)	0.9% (*)

(\*) This amount concerns the non-recurring items paid in the year.

(\*\*) Amount of non-recurring income statement items yet to be paid at year-end.

## 8.15 Earnings per share

The breakdown of the account is as follows:

(in Euro thousands)	<b>December 2022</b>	<b>December 2021</b>
Profit attributable to the owners of the Parent	29,151	10,670
Weighted average number of shares	51,139	51,139
<b>Earnings per share (in Euro)</b>	<b>0.57</b>	<b>0.21</b>
<b>Earnings per share – diluted (in euro)</b>	<b>0.57</b>	<b>0.21</b>

We point out that diluted earnings per share is equal to the above-mentioned earnings per share because there are no stock option plans.

## 9. NET FINANCIAL DEBT

Below is the breakdown of the net financial debt at December 31, 2022 and December 31, 2021, determined in accordance with the ESMA Guidelines (32-382-1128):

(in Euro thousands)	<b>December 2022</b>	<b>December 2021</b>
A. Cash	110,682	152,656
B. Cash and cash equivalents		
C. Other current financial assets	9,964	860
<b>D. Liquidity (A + B + C)</b>	<b>120,646</b>	<b>153,516</b>
E. Current financial debt (including debt instruments but excluding the current portion of non-current financial debt)	(1,333)	(203)
F. Current portion of non-current financial debt	(81,814)	(69,236)
<b>G. Current financial debt (E + F)</b>	<b>(83,146)</b>	<b>(69,438)</b>
<b>H. Net current financial debt (G – D)</b>	<b>37,500</b>	<b>84,078</b>
I. Non-current financial debt (excluding current portion and debt instruments)	(215,084)	(180,185)
J. Debt instruments	(70,301)	(83,210)
K. Trade payables and other non-current payables		
<b>L. Non-current financial debt (I + J + K)</b>	<b>(285,385)</b>	<b>(263,396)</b>
<b>M. Total financial debt (H + L)</b>	<b>(247,885)</b>	<b>(179,318)</b>

The net financial reconciliation between the beginning and end of the period are presented below. The effects indicated include the currency effects.

(in Euro thousands)		<i>current portion</i>	<i>non-current portion</i>
<b>Net Debt at December 31, 2021</b>	<b>(179,318)</b>	<b>84,078</b>	<b>(263,396)</b>
Net cash flow in the year	(41,973)	(41,973)	
Decrease in liquidity subject to restrictions	5,041	5,041	
New bank loans and borrowings	(94,000)	(4,503)	(89,497)
Repayment/reclass. bank loans and borrowings	53,244	53,244	
Leasing New Funding	(10,545)	(210)	(10,335)
Repayment/reclass. lease liability	16,291	16,291	
Change in fair value derivatives	4,506		4,506
Other changes	(1,131)	(1,131)	
<b>Net Debt at December 31, 2022</b>	<b>(247,885)</b>	<b>110,837</b>	<b>(358,722)</b>

## 10. RELATED PARTY TRANSACTIONS

Transactions and balances with related parties are illustrated in the tables below. The companies indicated are considered related parties as directly or indirectly related to the majority shareholder of the Aquafil Group. Transactions with related parties were undertaken in line with market conditions.

Payables and receivables of the Group with related parties are illustrated in the table below:

(in Euro thousands)	Parent companies	Subsidiaries	Associates	Related parties	Total	Total book value	% on total account items
<b>Non-current financial assets</b>							
At December 31, 2022	234	6	1,018	79	<b>1,336</b>	1,849	72.26%
At December 31, 2021	234	6	1,018	79	<b>1,336</b>	1,729	77.27%
<b>Trade receivables</b>							
At December 31, 2022	305			71	<b>376</b>	28,553	1.32%
At December 31, 2021				71	<b>71</b>	31,233	0.23%
<b>Other current assets</b>							
At December 31, 2022	247				<b>247</b>	15,862	1.56%
At December 31, 2021	3,152				<b>3,152</b>	12,853	24.52%
<b>Non-current financial liabilities</b>							
At December 31, 2022	(831)			(4,431)	<b>(5,262)</b>	(285,385)	1.84%
At December 31, 2021	(1,370)			(4,989)	<b>(6,359)</b>	(263,421)	2.41%
<b>Current financial liabilities</b>							
At December 31, 2022	(537)			(2,420)	<b>(2,957)</b>	(83,146)	3.56%
At December 31, 2021	(524)			(1,716)	<b>(2,240)</b>	(69,438)	3.23%
<b>Trade payables</b>							
At December 31, 2022				(270)	<b>(270)</b>	(126,840)	0.21%
At December 31, 2021				(352)	<b>(352)</b>	(126,566)	0.28%
<b>Other current liabilities</b>							
At December 31, 2022	(230)				<b>(230)</b>	(25,163)	0.91%
At December 31, 2021	(230)				<b>(230)</b>	(25,608)	0.90%



The transactions of the Group with related parties are illustrated in the table below:

(in Euro thousands)	Parent companies	Other related parties	Total	Book value	% on total account items
<b>Revenues</b>					
December 2022	250	185	<b>435</b>	684,074	0.06%
December 2021		52	<b>52</b>	569,701	0.01%
<b>Service costs and rent, lease and similar costs</b>					
December 2022		(465)	<b>(465)</b>	(168,472)	0.28%
December 2021		(414)	<b>(414)</b>	(112,567)	0.37%
<b>Other operating costs and charges</b>					
December 2022		(70)	<b>(70)</b>	(4,038)	1.73%
December 2021		(70)	<b>(70)</b>	(3,420)	2.05%
<b>Investment income/charges</b>					
December 2022		183	<b>183</b>	23	795.65%
December 2021		0	<b>0</b>	0	0.00%
<b>Financial charges</b>					
December 2022	(32)	(108)	<b>(140)</b>	(8,369)	1.67%
December 2021	(43)	(116)	<b>(159)</b>	(7,550)	2.11%

The following table summarises cash flows with related parties of the Group and their percentage out of the cash flow indicated in the cash flow statement:

(in Euro thousands)	Total cash flow statement account	of which related parties	% on total account items
Result for the year	29,151	(57)	(0%)
Financial charges	8,369	(140)	(2%)
Increase/(Decrease) in trade payables	245	(82)	(33%)
Increase/(Decrease) in trade receivables	2,722	(305)	(11%)
Changes to assets and liabilities	(3,834)	2,905	(76%)
Net changes in current and non-current financial assets and liabilities (including IFRS 16)	(9,802)	(380)	4%
Non-monetary change IFRS 16	(9,660)	(1,828)	19%
Dividends distributed	(6,046)	(3,576)	59%

## 11. OTHER INFORMATION

### 11.1 Commitments and risks

#### Other commitments

At December 31, 2022, the parent company Aquafil S.p.A. provided sureties in favour of credit institutions in the interest of subsidiaries, companies subject to the control of the parent company and third parties for a total of Euro 22,6 million.

#### Contingent liabilities

Provided below is a list of fiscal positions and disputed defined and pending as at the balance sheet date that concern the Parent Company, Aquafil S.p.A. We are not aware of the existence of further disputes or proceedings that are likely to have significant repercussions on the Group's economic and financial situation.

#### 1) 1) Tax audit Aqualeuna GmbH

The company Aqualeuna GmbH was involved in a tax audit by the competent German federal tax office in Leuna concerning inter-company transactions. On July 15, 2021, the company was notified by the German tax administration's audits unit in Halle of the conclusion of the tax audits for fiscal years 2013-2017. The upward adjustment to Aqualeuna's assessable income concerned:

- (a) for the period 2013-2015, not subject to international cooperation with the Italian administration, for Euro 735 thousand, offset by the equal utilisation of the company's prior year losses;
- (b) for the period 2016, subject to joint audit by the two administrations, upward adjustment for Aqualeuna of Euro 1.4 million, with corresponding equal adjustment to the benefit of Aquafil in Italy, for which during the first half of 2022 the corresponding adjustment was made official by the Trento Provincial Office. In fact, on July 26, 2022, the Office recognised the amount of Euro 410 thousand upon closure of the reimbursement file and therefore without impact on the consolidated results;
- (c) for the 2017 period, not subject to joint audit by the two administrations, upward adjustment for Aqualeuna of Euro 3.7 million and the submission of a request to recognise a decrease in IRES and IRAP assessable income, filed by Aquafil on January 21, 2022. Given the use of past losses of Aqualeuna, the increased taxes for the company for 2013-2017 came to Euro 207 thousand. Aquafil, on January 21, 2022, forwarded to the International Dispute Resolution and Prevention Office of the Large Taxpayers Central Directorate in Rome of the Tax Agency a special Application pursuant to Article 31-quater, paragraph 1, letter c) of Presidential Decree September 29, 1973, No. 600 for the unilateral recognition for IRES and IRAP purposes of the downward adjustment of income against the upward adjustment amounting to Euro 3,733 thousand made in Germany for the stated tax period; the initiation of the procedures provided for in Arbitration Convention No. 90/436/EEC of July 23, 1990, on the elimination of double taxation in the case of adjustments to profits of associated companies. On December 22, 2022, the aforementioned International Dispute Resolution and Prevention Office notified the Company that the mutual agreement procedure pursuant to Article 6 of Arbitration Convention No. 90/436/EEC resulted in an agreement being reached between the competent Italian and German Authorities on the basis of which it was agreed to confirm the adjustments made by the German tax authorities in the amount of Euro 3,733 thousand and to recognise Aquafil the same amount as a corresponding adjustment by the Italian tax authorities.

The German competent authority sent a similar notice to Aqualeuna.

Both companies have sent acceptance of the agreement in relation to the year 2017 to their respective competent authorities.

Similarly to 2016, on February 15, 2023 Aquafil S.p.A. submitted, pursuant to Article 3, paragraph 1, of Law No. 99 of March 22, 1993, a refund application for IRES and IRAP purposes to the Provincial Directorate of Trento for Euro 997 thousand (Euro 896 thousand for IRES, Euro 101 thousand for IRAP) and thus awaits the refund authorisation measure.

For tax years 2018 and 2019, not the subject of the aforementioned audits and during which Aqualeuna recognised further tax losses, the German tax administration began another audit in September 2021, requesting that the Italian tax administration launch a joint audit similar to the one conducted for 2016. The German Tax Administration Finanzamt Halle, after analysing the documentation produced by Aqualeuna, made available audit reports No. 1 dated 9/11/2022 and No. 2 dated 16/11/2022. It can be inferred from the reports that Finanzamt Halle intends to: (i) disallow the deductibility for Aqualeuna of the plant renovation and closure expenses incurred by the company in 2018 (approx. Euro 2,301 thousand) and 2019 (approx. Euro 4,000 thousand); (ii) in continuity with the previous audit, apply the mark-up of 1.4% to the total production costs of semi-finished products produced by Aqualeuna for the Company (the correction/recovery would be approx. Euro 162 thousand and approx. Euro 1,077 thousand for 2018 and 2019, respectively). Since it has not yet been concluded (Aqualeuna, in its memorandum submitted on 1/25/2023, has in any case strongly contested these possible findings), it is not possible at this stage to provide an opinion on the outcome of the audits for the 2018 and 2019 tax periods. However, the subsidiary Aqualeuna as a result of the above, has fully released to the income statement the remaining deferred tax assets allocated on tax losses amounting to Euro 1,207 thousand. Moreover, and consistent with that previously expressed in relation to the previous audit, it shall in any case be possible also with reference to these years that Aquafil S.p.A. will initiate, as it did for the 2017 tax period, the procedure set out in Article 31-quater, lett. c) of Presidential Decree No. 600/1973, with the consequence that it will in any case be reasonably certain that, upon the outcome of

the relevant procedures, the competent authorities of the two States will take pursuant to Directive 2017/1852 (implemented in Italy by Legislative Decree No. 49 of June 10, 2020) a decision by mutual agreement (guaranteed outcome) aimed at eliminating the double taxation that might arise at Group level. Any upward adjustment in taxable income imposed in Germany by Aqualeuna for its transactions with Aquafil can thus be neutralized by a corresponding opposing adjustment granted to the latter by the AdE. In view of that outlined, it is considered that there are no additional contingent liabilities on the part of Aquafil S.p.A. and the Aquafil Group to be covered by an allocation to a risk provision.

2) “ACE” tax deduction appeal

On October 24, 2022, the Large Taxpayers Central Directorate responded to the ACE petition filed by the Company on July 5, 2022 with reference to the 2021 tax year, expressing a favourable opinion regarding the request for the disapplication of the anti-avoidance rules set forth in Article 10, paragraphs 2 and 3 (a) and (c) of the new ACE Decree.

3) Settlement notice for registry tax on sale of Aquafil EP S.p.A.

On December 21, 2017, the Trento provincial office of the Italian tax administration issued Aquafil S.p.A. and Domo Chemicals Italy S.r.l. a settlement notice for registration tax, demanding a proportionate tax of 3% on the sale of the share package of Aquafil EP S.p.A. (later becoming Domo Engineering Plastic S.p.A.) on May 31, 2013, in the amount of Euro 1.3 million plus interest of Euro 210 thousand. Domo Chemicals Italy S.r.l. has provided for the payment of 100% of the tax plus interest, to which Aquafil contributed half of the total sum. On September 27, 2021, prior to the hearing, the Trento office notified the companies of the self-protection nullification of the notice and of the decision to refund the amount paid. On January 11, 2022, the Trento Provincial Commission issued notice that the matter was declared closed. The relevant office of the Tax Agency, in May and June 2022, fully reimbursed Aquafil S.p.A. and Domo Chemicals Italy S.r.l. the registration tax of Euro 1,562 thousand, divided equally, plus statutory interest. This tax had been paid by Domo Chemicals Italy S.r.l. on February 16, 2018. The total collection of Aquafil S.p.A. for the tax refund and interest due amounts to Euro 84 thousand.

4) Audit of income tax and IRAP for 2015

In February 2019, the Trento Office of the Italian tax authority launched a general audit of the 2015 tax period for Aquafil S.p.A., which concluded with the notification, on June 14, 2019, of a tax assessment, funnelled into the assessments notified on October 8, 2021, and November 16, 2021, that revealed a number of findings in relation to transfer pricing, without penalties given that the transfer pricing documentation was deemed to be sufficient.

On May 5, 2022, following the submission of an application for an agreed settlement for IRES purposes, while restating the correctness of its conduct and solely in order to avoid a lengthy and exhausting dispute, the Company agreed to settle the IRES assessment notice as follows: IRES settlement Euro 1,568 thousand, higher IRES Euro 431 thousand, sanctions Euro 3 thousand and interest Euro 18 thousand.

On May 27, 2022, following the agreed settlement of higher ICT service revenues also relevant for IRAP purposes, the Company signed the mediation agreement drawn up by the Trento Office based on the same amounts defined for the IRES settlement. The amount settled in mediation was total IRAP recoveries of Euro 954 thousand, higher IRAP Euro 18 thousand, penalties Euro 2 thousand and interest of Euro 4 thousand.

As of the reporting date of the 2022 annual financial statements, therefore, the assessment notices for 2015 have therefore been fully settled.

5) Suspension of VAT refund – 2019 fiscal year

On June 22, 2020, the Company filed for a VAT refund in the amount of Euro 488,147 by way of the 2020 tax return (for 2019 income). The reason given was the lower excess credit not transferable for the payment of group VAT (as per Articles 33 and 73 of Italian Presidential Decree 633/1972). On June 17, 2022, the Tax Office, after lengthy investigative and documentary verification activities, notified the Company of the recognition of the 2019 annual VAT credit requested for reimbursement in the amount of Euro 488 thousand, and also in June settled the entire amount, including interest, as required by law.

6) Initiation of audit for direct taxes on 2016, 2017, 2018 and 2019 tax years

On May 11, 2022, the Trento Tax Agency notified the Company of four notices of the initiation of an audit on the 2016, 2017, 2018 and 2019 tax years, with reference to the transfer prices charged by Aquafil to overseas subsidiaries for IT services, in addition to the interest rates applied on loan agreements.

On June 7, 2022, the Company delivered to the Tax Office all the required documentation under the citations.

On August 26, 2022 and August 30, 2022, the Trento Office notified the Company of two citations (IRES and IRAP) issued pursuant to Article 5-ter of Legislative Decree No. 218/1997 for the establishment of a ruling with reference to the 2016 tax period, which includes a potential tax recovery of a total of Euro 1,287 thousand.

On September 15, 2022, the case involving both invited parties began, in which the many aspects that were not agreeable, both in the “*an et quantum*” (“if and how much”) were highlighted, agreeing to the drafting of a brief filed on October 3, 2022.

On November 22, 2022, while reaffirming the legitimacy of its conduct, and solely in order to avoid long and exhausting litigation, the Company reached an agreed settlement, after submission of the IPEC Application by the consolidating company Aquafin Holding, paying the amount of Euro 16 thousand (IRAP and interest) and Euro 279 thousand (IRES).

To date, with respect to the 2017, 2018 and 2019 tax periods, no findings of the Tax Office have been moved in relation to these audits. At present, therefore, any quantification of contingent liabilities is considered premature, as it is necessary to await the development of the Tax Office's investigative activities for the proper estimation of the findings.

## 11.2 Remuneration of senior management

The remuneration and benefits in favour of members of the Board of Directors and Senior Executives and the compensations due to the members of the Board of Statutory Auditors are presented below:

<b>Director and Statutory Auditor fees</b> (in Euro thousands)	<b>December 2022</b>
Short-term benefits	4,870
Other long-term employee benefits	50
<b>Total</b>	<b>4,920</b>

<b>Senior Executive fees</b> (in Euro thousands)	<b>December 2022</b>
Short-term benefits	3,532
Other long-term employee benefits	94
<b>Total</b>	<b>3,626</b>

## 11.3 Significant events after December 31, 2022

- With regard to the purchase of treasury shares as approved by the Aquafil S.p.A. shareholders on October 20, 2021, which brought total treasury shares purchased to Euro 8,014,530.59, as detailed above, it should be noted that, in January 2023, Aquafil continued to purchase shares up to a total of 1,278,450 treasury shares held, equal to 2.4961% of the share capital for a total value of Euro 8,612,053.54. The authorisation by shareholders has a validity of 18 months from the date of the related resolution and authorises the purchase, in one or more tranches, of ordinary shares up to a maximum number which, taking account of the ordinary shares which may be held in portfolio by the company and by its subsidiary, does not total more than 3% of share capital. The operation is aimed at enabling the Company to purchase and/or make use of the Company's ordinary shares for: (i) making investments and limiting anomalous changes in share prices so as to promote regular trading outside of normal fluctuations tied to market trends, while, in any event, observing applicable laws and regulations; and (ii) establishing a securities reserve for future uses in accordance with the strategies that the Company intends to pursue as payment in corporate transactions with other parties or other extraordinary uses.
- On January 18, 2023 through its subsidiary Aquafil Chile S.p.A., a joint venture was created with Chile Atando Cabos Chile S.p.A. called ACCA S.p.A., with registered office in Santiago, Chile, and share capital of CLP 1 million, with the corporate purpose of acquiring, storing and recycling fishing nets, nautical ropes and other plastic waste.

#### 11.4 Disclosure as per Article 1, paragraph 125, of Law No. 124 of August 4, 2017

With regards to that required by Article 1, paragraph 125 of Law 124/17, the Company (and the companies of the Group) recorded in 2022 the following:

- (i) Euro 94 thousand relating to the sale of the external electricity distribution network produced by the photovoltaic plants;
- (ii) Euro 93 thousand related to training grants at Aquafil S.p.A. and Euro 18 thousand at Tessilquattro S.p.A., respectively;
- (iii) Euro 13 thousand relating to De Minimis grants on leases;
- (iv) Euro 7.2 million for the energy and gas tax credit subsidy granted during the year (to Aquafil S.p.A. and Tessilquattro S.p.A.) for electricity-intensive and natural gas-intensive companies that have met the requirements under the regulations (Decree Law No. 4 of 01/27/2022);
- (v) Euro 0.3 million regarding the year's portion of deferral of tax credits for 4.0 investments, due to the higher investments made starting from the year 2020, eligible for the tax relief provided by Article 1 of Law 232 of December 11, 2016 and subsequent. It should be noted that the recognised credit amounts to Euro 2.6 million and will be used to offset other taxes; Euro 4.1 million grants received for the U.S. activities, mainly for the recovery of end-of-life carpets;
- (vi) Euro 0.6 million regarding the portion in the year of the deferral related to the grant recognised by the EU for the "Effective" research project, relating to the parent company Aquafil S.p.A. for Euro 0.3 million and the subsidiary AquafilSlo for Euro 0.3 million.

With regards to any subventions, contributions or other financial benefits received by the Company in 2022 from the Tax Agency, reference should be made to the preceding paragraphs covering the tax items.

## Attachment 1 - Disclosure pursuant to Article 149 of the Consob Issuer's Regulation

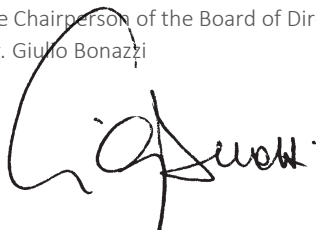
The following table, drawn up pursuant to Article 149-*duodecies* of the Consob Issuers' Regulation, highlights the fees charged in the year 2022 for auditing and non-auditing services rendered by this appointed independent audit firm and by the companies in its network.

Company providing service	Recipient of service	Type of services	Fees 2022
PwC S.p.A.	Aquafil S.p.A.	Audit separate financial statements	139,028
		Audit consolidated financial statements	43,775
		ESEF accounts audit	30,000
PwC S.p.A.	Società controllate Italia	Audit separate financial statements and Group Reporting Package	27,273
PwC (1)	Società controllate estero	Audit separate financial statements and Group Reporting Package	128,410
PwC S.p.A.	Aquafil S.p.A.	Limited Audit of the 2022 consolidated half-year report	31,823
PwC S.p.A.	Società controllate Italia	Limited Audit 2022 half-year Group Reporting Package	11,900
PwC (1)	Società controllate estero	Limited Audit 2022 half-year Group Reporting Package	56,312
<b>Total Audit services provided in 2022 to the Aquafil Group by Worldwide Audit firm</b>			<b>468,521</b>
PwC S.p.A.	Aquafil S.p.A.	Limited Audit of Consolidated Non-Financial Report 2022	61,716
PwC S.p.A.	Aquafil S.p.A.	Audit of the statement of the 2021 R&D costs for the purposes of the tax credit Law 145/18	4,800
PwC S.p.A.	Aquafil S.p.A.	Agreed audit procedures required by the EFFECTIVE EU project	7,500
PwC (1)	Foreign subsidiaries	Other assistance services allowed	9,450
<b>Total other audit services provided in 2022 to Aquafil Group by Audit Firm</b>			<b>83,466</b>
PwC (1)	Foreign subsidiaries	Other assistance services allowed	2,000
<b>Total services provided in 2022 to companies of the Aquafil Group by entities belonging to PwC network</b>			<b>2,000</b>

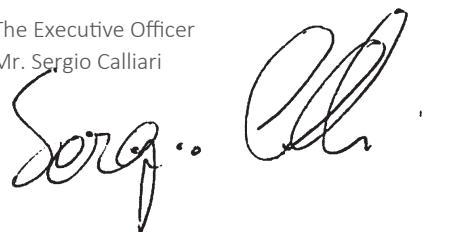
(1) Other companies belonging to the same PwC SpA network.

Arco, March 16, 2023

The Chairperson of the Board of Directors  
Mr. Giulio Bonazzi



The Executive Officer  
Mr. Sergio Calliari



# Statement of the Principal Financial Officer and the Delegated Bodies



Aquafil S.p.A.  
Via Linfano 9 - Arco (TN) – Italy  
P.I.: 09652170961

## **STATEMENT OF THE PRINCIPAL FINANCIAL OFFICER AND THE DELEGATED BODIES (art. 154-bis, comma 5) ABOUT THE CONSOLIDATED YEAR END FINANCIAL STATEMENTS OF AQUAFIL GROUP CLOSED ON 2022/12/31 IN ACCORDANCE WITH ART 81-TER OF CONSOB REGULATION N. 11971 OF 14 MAY 1999 AND ANY SUBSEQUENT AMENDEMENTS AND ADDITIONS**

1. The **undersigned** Attilio Annoni, Managing Director, and Sergio Calliari, Principal Financial Officer ex Law 262/05 of Aquafil SpA, certify, based on art. 154-bis, commas 3-4, and Legislative Decree 58/98:

- the adequacy in relation to the firm characteristics and
- the effective implementation

of the administrative - accountability procedures aimed at preparing the consolidated financial statements as of December 31<sup>st</sup>, 2022.

2. No relevant issues arose.

3. It is also certified that the consolidated financial statements as of December 31<sup>st</sup>, 2022:

- a) are drafted based on the International Financial Reporting Standards (I.F.R.S.), recognized in the European Community in accordance with Regulation (EC) n. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
- b) match with the results of the accountability books and registrations;
- c) are appropriate to give a truthful and correct representation of the statement of the assets, liabilities, and capital of the Company and of the group of companies included in the consolidation process.

Arco, March 16<sup>th</sup>, 2023

Managing Director

Attilio Annoni

Principal Financial Officer

Sergio Calliari



# Board of Statutory Auditor's Report

## AQUAFIL S.p.A.

Via Linfano, 9 - Arco (TN) - 38062 - Italy  
Fiscal Code and Trento Company's Registration Office 09652170961

### BOARD OF STATUTORY AUDITORS' REPORT TO THE SHAREHOLDERS' MEETING OF AQUAFIL S.p.A. IN ACCORDANCE WITH ARTICLE 153 OF LEGISLATIVE DECREE 58/1998 AND ARTICLE 2429 OF THE CIVIL CODE YEAR ENDED DECEMBER 31, 2022

Dear Shareholders,

This Report was drawn up by the Board of Statutory Auditors of Aquafil S.p.A. (hereafter also the "Company"), appointed by the Shareholders' Meeting of April 28, 2021 for the three-year period, until the approval of the 2023 Annual Accounts and comprising the Chairperson of the Board of Statutory Auditors Stefano Poggi Longostrevi and the Statutory Auditors Bettina Solimando and Beatrice Bompieri (in addition to 2 alternate auditors).

Pursuant to Article 153, paragraph 1 of Legislative Decree No. 58 of February 24, 1998 (Consolidated Finance Act, hereinafter, the "CFA"), the Board of Statutory Auditors is reporting on the supervisory and control activities provided for by applicable legislation, with particular regard to the provisions of the Civil Code, Arts. 148 et seq. of the CFA, Legislative Decree No. 39 of 2010 as amended by Legislative Decree No. 135 of July 17, 2016 and Legislative Decree No. 254/2016. Instructions contained in the CONSOB communications concerning corporate controls and the activity of the Board of Statutory Auditors, indications contained in the Corporate Governance Code of listed companies, as well as the "Standards of conduct for the boards of statutory auditors of publicly listed companies" issued by the National Council of Accountants and Accounting Professionals are also taken into consideration.

This Board of Statutory Auditors' Report is being provided to the Shareholders of Aquafil S.p.A. in view of the Shareholders' Meeting called for April 27, 2023, to approve the Annual Financial Statements and the Consolidated Financial Statements as at December 31, 2022.

It is issued by the Board of Statutory Auditors according to the terms of Article 154-ter of Legislative Decree No. 58 of February 24, 1998 and taking account of the Markets Regulation of Borsa Italiana (Article 2.2.3, paragraph 3, letter a) for STAR listed companies.

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Activities carried out by the Board of Statutory Auditors in 2022 and up to the date of this report are presented below, also with reference to the requirements of Consob Communication No. DEM/1025564 of April 6, 2001 and subsequent amendments.

#### 1. Significant economic, financial and equity transactions.

The following are the significant economic, financial and equity transactions and events that occurred in financial year 2022.



1

On March 15, 2022, the signing was announced of a Business Alliance Agreement, on a non-exclusive basis, with Japan-based ITOCHU Corporation to promote and expand the circular nylon business.

On August 24, 2022, Aquafil S.p.A. signed a non-binding Term Sheet covering the possible acquisition of a majority stake in the Indian company Gujarat Polyfilms Private Limited, which produces nylon 6 polymer and textile fibers at its Surat industrial site in Gujarat, India.

During 2022, the production lines of the company Aquafil Carpet Recycling (ACR) #2 were transferred to other Group companies, Aquafil Carpet Recycling (ACR) #1 and AquafilSLO d.o.o., as part of a project to reallocate assets in order to achieve efficiency gains in production activities serving the ECONYL® system.

For the regeneration of fish netting, an interest was acquired in the company Aquafil Chile SpA (located in Santiago, Chile), in order to strengthen and consolidate the procurement of good quality polyamide 6 based fishing nets to support the ECONYL® regeneration process, while the collaboration continued with the company in which a minority interest is held Nofir AS (Norway), a European leader in the collection and treatment of end-of-life fish netting.

The normal funding activity continued in 2022 with the signing of new medium-term, unsecured loans underwritten by the Parent Company Aquafil S.p.A. for a total of Euro 94 million; during the year, instalments on outstanding loans were settled, according to the repayment plans, for a total of Euro 52 million by the parent company Aquafil S.p.A..

The 2022 financial year was again affected, at least in part, by the continuing COVID-19 pandemic. The Aquafil Group continues to constantly monitor developments, also in terms of the circulation of the range of variants, at all operational locations globally, confirming the key objective of protecting the health of its employees and collaborators. In this regard, we report that the very restrictive measures adopted by the Chinese authorities in 2022 and the sudden normalisations introduced before the 2023 Chinese new year had no significant impact on the functioning of the production units and the various departments of the Chinese subsidiary Aquafil Synthetic and Polymers (Jiaying).

The Directors have continued to monitor the effects and potential impacts of the pandemic on the various business activities, on the financial situation, on credit risk, on liquidity risk and on the overall operating performances, stating in the Directors' Report and in the notes that the health crisis has not substantially impacted the annual results, nor has generated particular criticalities with regards to the specific risks which may arise with regards to the Group's capacity to fulfil its future commitments (including satisfaction of the "covenants" under a number of loan contracts) and/or which may impact the Group's going concern.

The Directors presented in the Directors' Report the additional information concerning the effects on company operations by the international tensions emerging from the conflict between Russia and Ukraine and the inflationary pressures on procurement costs of raw materials and energy. The Directors reported the increase in the year of energy costs from Euro 44.1 million in 2021 (Euro 32.5 million in 2020) to Euro 77.5 million in 2022, and of raw material costs, which increased 12.2% on the previous year, highlighting the Group's timely reaction in this regard and the recovery on the prices of products sold of the additional component costs.

On October 13, 2022, Aquafil S.p.A. announced the listing of its ordinary shares on the OTCQX Best Market, a US trading platform managed by OTC Markets Group, with the "ECNLF" ticker. The company's ordinary shares continue to be traded on the Euronext STAR Milan under the

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“ECNL” ticker. The OTCQX platform supports the transparent trading in US Dollars of Aquafil S.p.A.’s ordinary shares during the United States’ trading hours, allowing easier access for investors who prefer to trade securities in local currencies on their domestic markets, extending therefore Aquafil’s investor base to further support its liquidity on the Euronext STAR Milan. The transaction does not constitute a share capital increase. New ordinary shares were not issued and Aquafil S.p.A. shall continue to trade on the Euronext STAR Milan.

In execution of the Shareholders' Meeting motion of Aquafil S.p.A. of October 20, 2021, in 2022 the purchases of treasury shares initiated in 2021 continued and, at 31.12.2022, the company held a total of 1,181,685 treasury shares, equal to 2.3071% of the share capital for a total amount of Euro 8,015 thousand, recognised to Shareholders’ equity as a Negative treasury shares in portfolio reserve.

For the other significant events in the year, reference should be made to the Directors’ Report.

The Board of Statutory Auditors received information from Directors with due periodicity on the activities and significant economic, financial and equity transactions carried out by the Company and its subsidiaries. The Directors have reported these transactions in the Directors’ Report, to which reference should be made, also as regards the nature of the transactions and their economic effects.

The Board of Statutory Auditors acquired adequate information on these transactions which has made it reasonably possible to believe that these transactions were compliant with the law, the By-Laws and the principles of correct administration and are not imprudent, risky or inconsistent with the resolutions passed by the Shareholders’ meeting or, in any case, such as to compromise the integrity of corporate assets.

The Directors’ Report presented information on the outlook, indicating that 2023 shall again feature a significant degree of volatility on Aquafil Group’s markets due to the continually changing economic and geopolitical environment, while also providing disclosure on the possible future effects of climate change.

## **2. Third party, intragroup or related party atypical and/or unusual transactions.**

The Board of Statutory Auditors has not come across or received instructions from the Board of Directors, the Independent Audit Firm or the Internal Audit Manager concerning the existence of atypical and/or unusual transactions undertaken with third parties, related parties or intragroup, as defined by the CONSOB Communication DEM/6064293 of July 28, 2006.

In the notes to the financial statements, the Directors have given an account of ordinary transactions carried out during the year with Group companies and related parties, to which reference is made, also as regards the nature of the transactions and their economic effects.

Their examination revealed no critical issues with regard to adequacy, congruity and compliance with the company’s interests.

The Board of Statutory Auditors has verified the effective implementation and the practical functioning of the procedure for transactions with related parties adopted by the company, including periodic information from the Board of Directors in the event such transactions are carried out.



In this regard, we highlight that the Board of Directors on May 13, 2021 approved the updated Related Party Transactions Policy, with effect from July 1, 2021, having received the favourable opinion of the Related Party Transactions Committee, in order to take account of the provisions of Consob motion No. 21624 of December 10, 2020. This policy, which may be found on the Company's website, provides (among other matters) for exemptions – under certain conditions – for resolutions concerning the remuneration of directors and senior executives.

Transactions involving Directors' interests or with other related parties were subject to the transparency procedures envisaged by applicable legislation. In this regard, it is highlighted that, in 2022, the Board of Directors approved, having received the favourable opinion on the Minor Transaction by the Control, Risks and Sustainability Committee acting as Related Party Committee, of two property lease transactions between the Company as lessee and two companies - one Italian and one Slovenian - considered related parties.

### 3. Observations and proposals on the findings and requests for disclosure contained in the independent audit firm's report.

The independent audit firm PricewaterhouseCoopers S.p.A. on March 27, 2023 issued its reports as per Article 14 of Legislative Decree 39/2010 and Article 10 of Regulation EC 537/2014, in which the independent audit firm declared in its judgment that:

- *the separate and consolidated financial statements as at December 31, 2022 provide a true and fair view of the equity and financial situation of the company and of the Group, of the result for the year and of the cash flows for the year ending at that date, in compliance with International Financial Reporting Standards, adopted by the European Union, in addition to the implementation provisions of Article 9 of Legislative Decree 38/2005;*
- *the directors' report and certain specific information contained in the corporate governance and ownership structure report indicated in Article 123-bis, paragraph 4 of Legislative Decree 58/1998, are consistent with the separate and consolidated financial statements of the Company and of the Group at December 31, 2022 and are drawn up in accordance with law;*
- *with regards to the statement as per Article 14, paragraph 2, letter e) of Legislative Decree No. 39/2010, issued on the basis of its knowledge and understanding of the company and the relative overview acquired during the audit activities, we do not have any matters to report.*

The auditors' report of PricewaterhouseCoopers S.p.A. on the financial statements at December 31, 2022, does not contain any "Request for information".

The independent audit firm PricewaterhouseCoopers S.p.A. on March 27, 2023, in addition issued its additional report on the Internal Control and Audit Committee, as per Article 11 of Regulation EC 537/2014.

On the compliance of the consolidated financial statements with the provisions of Delegated Regulation (EU) 2019/815 of the European Union on the obligation to use the single electronic reporting format (ESEF - European Single Electronic Format) approved by ESMA, the Independent Audit Firm has certified that the consolidated financial statements included in the annual financial report have been prepared in XHTML format and have been marked, in all significant aspects, in accordance with Delegated Regulation ESEF.

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Some information contained in the explanatory notes to the consolidated financial statements, when extracted from XHTML format in an XBRL instance, due to certain technical limitations, may not be reproduced identically to the corresponding information that can be displayed in the consolidated financial statements in XHTML format.

Similarly, the independent audit firm certified that the financial statements were prepared in XHTML format in accordance with the provisions of the Delegated Regulation.

#### 4. Statements pursuant to Article 2408 of the Civil Code and submission of petitions. Initiatives taken by the Board of Statutory Auditors and related outcomes.

No statements or matters reported were received from Shareholders during the year 2022. No petitions were submitted to the Board of Statutory Auditors during the year 2022.

In this regard, we highlight that the company has adopted a “whistleblowing” procedure, providing for the setting up of appropriate disclosure channels to ensure the receipt, analysis and handling of reports, regarding internal control, corporate disclosure, administrative responsibility of the company, fraud or other matters, sent by employees, members of the corporate boards or third parties and also confidentially or anonymously.

#### 5. Conferment of appointments to the independent audit firm and associated costs.

The Board of Statutory Auditors was provided with evidence of the following fees accruing to the independent audit firm PricewaterhouseCoopers S.p.A. and the companies belonging to its network for services in 2022 (amounts in Euro):

Company providing service	Recipient of service	Type of services	Fees 2022
PwC SpA	Aquafil SpA	Audit separate financial statements Audit consolidated financial statements ESEF accounts audit	139,028 43,775 30,000
PwC SpA PwC (1)	Italian subsidiary Foreign subsidiaries	Audit separate financial statements and Group Reporting Package Audit separate financial statements and Group Reporting Package	27,273 128,410
PwC SpA PwC SpA PwC (1)	Aquafil SpA Italian subsidiary Foreign subsidiaries	Limited Audit of the 2022 consolidated half-year report Limited Audit 2022 half-year Group Reporting Package Limited Audit 2022 half-year Group Reporting Package	31,823 11,900 56,312
<b>Total Audit services provided in 2022 to the Aquafil Group by Worldwide Audit firm</b>			<b>468,521</b>
PwC SpA	Aquafil SpA	Limited Audit of Consolidated Non-Financial Report 2022	61,716
PwC SpA	Aquafil SpA	Audit of the statement of the 2021 R&D costs for the purposes of the tax credit Law 145/18	4,800
PwC SpA	Aquafil SpA	Agreed audit procedures required by the EFFECTIVE EU project	7,500
PwC (1)	Foreign subsidiaries	Other assistance services allowed	9,450
<b>Total other audit services provided in 2022 to Aquafil Group by Audit Firm</b>			<b>83,466</b>
PwC (1)	Foreign subsidiaries	Other assistance services allowed	2,000
<b>Total services provided in 2022 to companies of the Aquafil Group by entities belonging to PwC network</b>			<b>2,000</b>

(1) Other companies belonging to the same PwC SpA network



Pursuant to the provisions of Article 6, paragraph 2; letter a) of EU Regulation 537/2014, PricewaterhouseCoopers S.p.A. has provided the Board of Statutory Auditors with a statement that, up to this date, it has taken account of the activities performed, has maintained its position of independence and objectivity in respect of the Company and of the Aquafil Group, and has provided timely communication of non-audit services to the company by PricewaterhouseCoopers. S.p.A. and/or entities in its network.

The conferment of the above-mentioned appointments for non-audit services was approved by the Board of Statutory Auditors in advance, taking account of the declarations of independence issued by PricewaterhouseCoopers S.p.A. on these appointments.

Lastly, the Board of Statutory Auditors acknowledges the Transparency Report prepared by the independent audit firm and published on its website in accordance with Article 18 of Legislative Decree 39/2010.

#### **6. Main opinions issued by the Board of Statutory Auditors in accordance with applicable legislation.**

During 2022, the Board of Statutory Auditors provided the following opinions:

- on March 15, 2022 its favourable opinion pursuant to Article 2389, paragraph 3, of the Civil Code, regarding the target parameters and targets of the variable component of the 2022 annual remuneration (short term incentive) of the Chairperson and Chief Executive Officer Mr. Giulio Bonazzi;
- On May 12, 2022 favourable opinion - pursuant to Article 2389 paragraph 3 of the Civil Code - on the fixed component for the year 2022 and the target parameters and targets of the variable component of the 2022 annual remuneration (short term incentive) in favour of the Senior Executive Director Mr. Attilio Annoni.

It should be underlined that, during the year 2022 in the period up to April 28, 2022, the Board of Statutory Auditors also:

- verified the correct application of the criteria and procedures adopted by the Board of Directors to assess the independence of the Independent Directors, at the Board of Statutory Auditors' meeting of March 8, 2022;
- examined and positively assessed, together with the Control, Risks & Sustainability Committee (hereinafter the "CRSC"), the 2022 Audit Plan drawn up by the Internal Audit Manager and approved by the Board of Directors in the meeting of March 15, 2022;
- examined and positively assessed the Remuneration Policy for the year 2022 as per the proposal approved by the Appointments and Remuneration Committee, as well as the Remuneration Report's text approved by the Board of Directors in the meeting of March 15, 2022, and verified that this contains the information required by Article 123-ter of the CFA and Article 84-quater of Consob Regulation 11971/1999, while also taking account of the changes made in application of Consob Resolution No. 21623 of December 10, 2020, in accordance with Directive (EU) 2017/828;
- examined and positively assessed the Corporate Governance and Ownership Structure Report approved by the Board of Directors in the meeting of March 15, 2022, and verified

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that this contains the information required by Article 123-bis of the CFA and Article 84-quater of Consob Regulation No. 11971/1999.

In 2023 and until the date of this report, the Board of Statutory Auditors:

- verified the correct application of the criteria and procedures adopted by the Board of Directors to assess the independence of the Independent Directors, at the Board of Statutory Auditors' meeting of March 8, 2023;
- examined and positively assessed, together with the Control, Risks & Sustainability Committee, the 2022 Audit Plan drawn up by the Internal Audit Manager and approved by the Board of Directors in the meeting of March 16, 2023;
- examined and positively assessed the Remuneration Policy for the year 2023 as per the proposal approved by the Appointments and Remuneration Committee, as well as the Remuneration Report's text approved by the Board of Directors in the meeting of March 16, 2023 and verified that this contains the information required by Article 123-ter of the CFA and Article 84-quater of Consob Regulation 11971/1999;
- examined and positively assessed the Corporate Governance and Ownership Structure Report approved by the Board of Directors in the meeting of March 16, 2023, and verified that this contains the information required by Article 123-bis of the CFA and Article 84-quater of Consob Regulation No. 11971/1999.

Following the supervisory activities carried out in the year and outlined above, which did not indicate any omissions or reportable events, the Board of Statutory Auditors does not indicate any observations to be reported to the Shareholders' Meeting in accordance with Article 153 of the CFA.

#### 7. Attendance of the meetings of the corporate bodies

The 2022 financial year was again affected, at least in part, by the continuing COVID-19 pandemic, although its impacts were mitigated by the vaccination policy adopted by the Government. Following the pandemic and the governmental measures to protect health, which had imposed measures to limit the spread of the virus throughout Italy until July 2022, the supervisory activities of the Board of Statutory Auditors were carried out partly at the Company's headquarters in Arco (TN) - in all the periods in which "in-person" access to the Company's offices was possible - and partly "remotely", through the acquisition of data and information in electronic format and the holding of meetings in video conference.

Given the Company's reliability and timeliness in ensuring meetings could be properly held and information could be exchanged adequately, the Board of Statutory Auditors believes that working remotely in this way did not diminish or otherwise compromise the reliability of the information received or the efficacy of the work conducted.

In 2022, the Board of Statutory Auditors attended all 5 sessions of the Board of Directors' meetings of Aquafil, during which it was informed of activities performed and significant transactions made by the Company and its subsidiaries. In this context, the Board received from the Chairperson and Chief Executive Officer Mr. Bonazzi and from the Senior Executive Director Mr. Annoni periodic disclosure upon the powers conferred.

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The Board of Statutory Auditors in 2022 held 15 meetings (including meetings of the Board alone and those together with the Control, Risks & Sustainability Committee), during which frequent exchanges of information with the independent audit firm also took place to ensure that no transactions occurred that were imprudent, risky, with a potential conflict of interest, in breach of the law or the By-Laws or Shareholders' meeting resolutions or such as to compromise the integrity of the company's assets.

With regards to the meetings of the internal Board Committees, the Board of Statutory Auditors attended in 2022, with full attendance at the meetings both by its Chairperson and both of the other members of the Board of Statutory Auditors, 7 meetings of the Control, Risks and Sustainability Committee, 5 meetings of the Appointments and Remuneration Committee and 3 Control, Risks and Sustainability Committee meetings, acting as the Related Party Transactions Committee, acquiring knowledge on the work carried out by these Committees during the year.

The Board of Statutory Auditors also attended the Shareholders' Meeting of April 28, 2022.

The Board of Statutory Auditors in 2023 has thus far held 6 meetings (between meetings of the Board alone and together with the Control, Risks & Sustainability Committee). The Board of Statutory Auditors also attended (with all members present, with the exception of one Board meeting in which one of the actual Statutory Auditor was excused absent) 2 Board of Directors meetings, 3 Control, Risks & Sustainability Committee meetings and 4 meetings of the Appointments and Remuneration Committee.

#### 8. Observations on compliance with the principles of correct administration.

Following its supervisory activities, the Board of Statutory Auditors has no observations to make concerning compliance with the principles of correct administration and has confirmed that directors of Aquafil S.p.A. are aware of the risk involved and the effects of transactions made.

In particular, the Board of Statutory Auditors verified that the operating choices were adopted in the interest of the Company, compatible with the resources and capital available and adequately supported by disclosure, documentation, analysis and verification processes, also making recourse, where considered necessary, to consultation with the Committees and outside consultants.

#### 9. Observations on the suitability of the organisational structure.

The Board of Statutory Auditors gathered ongoing information on the organisational structure of the Company and on any changes, in particular in relation to the appointment of the Senior Executive Director Mr. Attilio Annoni and the granting of powers to him, in addition to the replacement in 2022 of a number of officers reporting to the Senior Executive Director, including the Chief Financial Officer and the General Counsel, also undertaking meetings with the executive director responsible for coordinating the organisation and with the heads of a number of key corporate functions (i.e. human resources, legal and corporate affairs, administration, finance and control, information technology, and investor relations).

With regards to the Internal Audit function structure, given that the 2022 Audit Plan was carried out and completed according to schedule, the company maintained its internal

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structure, already strengthened in the previous year, currently comprising the Internal Audit Manager and a full-time support staff member, maintaining also the assistance of outside consultants, who mainly provide operating support.

With regards to the strategically important subsidiaries, as identified by the Board of Directors with motion of February 14, 2020 and with regards to the provisions of Article 15 of the Consob Markets Regulation (motion No. 20249 of December 28, 2017), concerning significant subsidiaries set up and governed according to the laws of non-European Union member States, the Board of Statutory Auditors indicates that the Aquafil Group companies applying this provision are included among the entities for the purposes of Internal Control on Financial disclosure, with regards to which no significant deficiencies are reported.

In light of what has been confirmed, the Board of Statutory Auditors considers that the company's organisational structure, procedures, competences and responsibilities are suitable for the size of the company and the type of activity performed.

#### 10. Suitability of the Internal Control and Risks Management System.

The Board of Statutory Auditors has monitored the suitability of Aquafil S.p.A.'s Internal Control and Risks Management System through:

- a. the gathering of information, including during meetings of the Control, Risks & Sustainability Committee, as well as through frequent meetings with the Internal Audit Manager and with the managers of other functions, activities performed, mapping of risks related to activities in progress, audit plans and the internal control system's implementation projects, with the acquisition of associated documentation;
- b. regular participation in the work of the Control, Risks & Sustainability Committee set up in accordance with the Corporate Governance Code for listed companies and, where considered appropriate for the matters covered, the joint collaboration of such with the Committee;
- c. the review of the Annual Report of the Control, Risks & Sustainability Committee issued on March 16, 2023;
- d. the review of the Internal Audit Manager reports, concerning the checks on the various company areas established by the 2022 Audit Plan, in addition to the follow-ups of the previous Audit Plan and the risk assessment carried out by the Internal Audit function with the support of an outside consultancy firm;
- e. the review of the Internal Audit Manager's annual report together with the Internal Audit Manager's positive assessment of the suitability of the company's internal control and risk management system with respect to the company's characteristics and risk profile assumed.

In this regard, the Board of Statutory Auditors agreed with the favourable assessment of the Control, Risks & Sustainability Committee on: (i) the suitability, efficacy and effective functioning of the company's internal control and risk management system with respect to its characteristics and risk profile assumed; and (ii) the company's organisational, administrative and accounting structure with particular reference to the internal control and risk management system.

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The Board of Statutory Auditors in addition:

- confirmed that the company has an Organisation, Management and Control Model that is compliant with the principles contained in Legislative Decree 231/01 and the guidelines drawn up by Trade Associations, as last updated by the Board of Directors on November 13, 2020;
- noted that the Supervisory Board in collegial form comprises two outside members (one of which the Chairperson) and an internal member. In 2022, with Board of Directors motion of November 8, 2022, the second outside member was replaced, following the resignation of the preceding member for personal reasons; reviewed the periodic reports at June 30 and December 31, 2022 of the Supervisory Board as per Legislative Decree 231/2001, which summarised the activities carried out during the year, and periodically met with its members;
- met the Director in charge of the internal control and risk management system, in joint session with the Control, Risks and Sustainability Committee;
- met the representatives of the Board of Statutory Auditors of the only Italian subsidiary that is part of the Aquafil Group;
- obtained information from the corporate boards (without Board of Statutory Auditors) of the main overseas subsidiaries, as per Article 151, paragraphs 1 and 2 of Legislative Decree 58/1998.

In conclusion, in the process of performing the above activities, the Board of Statutory Auditors:

- a) did not find any critical situations or facts suggesting that Aquafil S.p.A.'s internal control and risk management system is inadequate;
- b) took note of the information provided by the Chair of the Supervisory Board and of the above-mentioned reports concluding that there were no reprehensible facts or violations of the Model in the year 2022;
- c) took note of the positive assessment delivered by the Board of Directors on the suitability and effective functioning of the Internal Control and Risk Management System for the financial year 2022.

#### 11. Suitability of the administrative and accounting system and its reliability.

The Board of Statutory Auditors, for all aspects falling within its competence, supervised the administrative and accounting system's suitability and its reliability in correctly representing accounting data and activities performed under the coordination of the Executive Officer for Financial Reporting, for the purposes of the requirements referred to in Law 262/2005 "Provisions for the protection of savings and the regulation of financial markets" and subsequent amendments and additions through:

- a) the acquisition of information from the Executive Officer for Financial Reporting and managers of other business functions, including during meetings of the Board of Statutory Auditors and participation in the work of the Control, Risks & Sustainability Committee;


- b) the acquisition of information on procedures adopted and instructions issued by Aquafil S.p.A. to subsidiaries for the purposes of preparation of the Group's Annual Financial Report as at 31.12.2022;
- c) the review of the report drawn up by the Executive Officer on Financial Reporting on the suitability of administrative and accounting procedures as per Law 262/2005 and on the outcome of the related tests performed;
- d) the meetings with the Independent Audit Firm and the results of the work it performed.

The Board of Statutory Auditors also noted that the impairment test applied by the company in preparing the financial statements at December 31, 2022 was that approved by the Board of Directors on February 15, 2019, following the favourable opinion issued by the Control and Risks Committee, a procedure which was applied for the preceding financial statements. The Board of Statutory Auditors oversaw the results of the impairment tests conducted by management, which for the financial statements at December 31, 2022 did not indicate problems regarding the recoverability of the fixed assets, except for the write-down for Euro 1.6 million of the investment in the Slovakian subsidiary Cenon S.r.o., in addition to the write-down for Euro 1.1 million of the loans to the subsidiary Aquafil UK Ltd.

While performing the above activities, the Board of Statutory Auditors did not find any critical situations or facts suggesting that Aquafil S.p.A.'s administrative and accounting system for the year 2022 was inadequate and/or unreliable.

#### **12. Suitability of instructions imparted to subsidiaries.**

The Company regulates, by means of special procedures, the information flows from it to its subsidiaries and those from its subsidiaries, relating in particular to major transactions.

The Board of Statutory Auditors considers the instructions imparted by the Company to its subsidiaries pursuant to Art. 114, paragraph 2 of the CFA suitable to fulfil the communication requirements envisaged by law.

#### **13. Any relevant aspects relating to meetings with the auditors.**

The Board of Directors met periodically with the independent audit firm to:

- a) exchange information on the audits performed by the latter, pursuant to Legislative Decree 39/2010 and Article 150, paragraph 3 of the CFA, on the company's accounting records and on the correct recording of accounting data in the accounting records. No critical issues or anomalies emerged from these meetings;
- b) for the acquisition of information on the planning of activities of the independent audit firm concerning the audit on the Annual Financial Report at 31.12.2022, in addition to the separate financial statements of Aquafil S.p.A. and the consolidated financial statements of the Aquafil Group;
- c) for the review and assessment of the compilation process, including the evaluation of the correct application of accounting principles and their homogeneity, and the Aquafil Group's Annual Financial Report as at 31.12.2022, together with the results of the audit activities and evaluation of these documents.



The Board of Statutory Auditors held various meetings with the independent audit firm, with 5 meetings in 2022 (of which 3 jointly with the CRSC) and 4 in 2023 (of which 2 jointly with the CRSC) as of the date of this report, reviewing the effects of the continued COVID-19 pandemic in the year and the methodological aspects in view of the Annual Financial Report.

In addition to what is reported in paragraph 3, the Board of Statutory Auditors also:

- a) received the independent audit firm's report, pursuant to Art. 11, paragraph 2 of EU Regulation No. 537/2014, also highlighting the fundamental issues that emerged during the audit and any significant shortcomings detected in the internal control system on the financial reporting process, in which no significant shortcomings were found;
- b) noted the statement concerning the independence of PricewaterhouseCoopers S.p.A., as per Article 6 of Regulation (EC) No. 537/2014, annexed to the additional report, which does not indicate any situations which may compromise its independence;
- c) discussed with the independent audit firm, pursuant to the provisions of Art. 6, paragraph 2(b) of EU Regulation No. 537/2014, the risks associated with the firm's independence and the measures adopted by it to limit these risks.

In particular, the Board of Statutory Auditors, with regards to the activities of the independent audit firm, noted that the methodologies and planning for the audit work, the audit approach utilised for the various significant areas of the financial statements and regarding corporate risks and the planned response by the auditor with the profiles, structures and risk, of the company and of the Group.

#### 14. Compliance with Corporate Governance Code for listed companies

The company complies with the Corporate Governance Code for listed companies (the "Code"). The Board of Statutory Auditors acknowledges that it has monitored the Company's implementation of the Code, as better described in the Corporate Governance and Ownership Structure Report, approved by the Board of Directors on March 16, 2023. With regards to new Code, the company in 2021:

- approved the Investor Communication Policy;
- expressly established in the Regulations of the Board of Directors and the Committees, an advance deadline (3 days) for the sending of the pre-meeting information.

The Board of Statutory Auditors therefore oversaw, as per Article 149, paragraph 1(c-bis) of the CFA, the practical implementation methods of the corporate governance rules envisaged by the Code, with particular regard to:

- the correct application of criteria and assessment procedures adopted by the Board of Directors to assess the independence of its members;
- the procedures with which the Internal Committees to the Board of Directors are composed, in particular with reference to directors' independence requirements, noting also that a meeting of only the Independent Directors was held;
- the manner by which the annual self-assessment activities of the Board of Directors and its Internal Committee were undertaken;
- the Corporate Governance structure of the company, examining in addition the Annual Corporate Governance and Ownership Structure Report.

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Induction for Directors and Statutory Auditors continued in 2022, with a specific meeting on risk analysis and assessment. For the year 2023, the Board of Statutory Auditors expressed the suggestion that, following the next Board of Directors' renewal, a specific Induction session be held to examine in-depth the businesses in which the Company operates.

The Board of Statutory Auditors oversaw the activities carried out by the Control, Risks & Sustainability Committee (also acting as the Related Party Transactions Committee) and the Appointments and Remuneration Committee, through the attendance of the Chairperson of the Board of Statutory Auditors and at least one other member at all meetings of these Committees.

The Board of Statutory Auditors also noted that the recommendations of the Corporate Governance Code contained in the letter of January 25, 2023, addressed to the Chairperson of the Committee, Lucia Calvosa, to the Chairpersons of the Boards of Directors of listed Italian companies and, on their behalf, to the relative Chief Executive Officers and Chairpersons of the Control bodies, were brought to the attention of the Board of Directors and the Appointments and Remuneration Committee, the Control, Risks and Sustainability Committee for the undertaking of the appropriate decisions in this regard.

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In addition to the above, the Board of Statutory Auditors:

- on March 8, 2023, concluded the self-assessment of the Board, confirming the consistency of its composition with the applicable legal provisions, in addition to its adequacy in terms of diversity of age and professional experience of its members and compliance with the provisions regarding the accumulation of statutory auditor positions. The self-assessment of the Board of Statutory Auditors was disclosed to the Board of Directors on March 16, 2023, which communicated such to the Market in the press release issued on the same date and in the Annual Corporate Governance and Ownership Structure Report for 2022;
- within the self-assessment process, the Board of Statutory Auditors positively verified the compliance of independence criteria for each of its members, as required by the Code. The results of the self-assessment checks of the Board are reported in the Corporate Governance and Ownership Structure Annual Report drawn up for the year 2022.

## 15. Consolidated Non-Financial Statement

The Board of Statutory Auditors has overseen observance of Legislative Decree No. 254 of December 30, 2016, and of Consob Regulation No. 20267 of January 18, 2018, regarding the consolidated non-financial report prepared by the Company, which describes the Sustainable Operating Model of the Aquafil Group.

The Board of Statutory Auditors notes that the Company, as the Parent Company, has prepared the consolidated non-financial report in accordance with Articles 3 and 4 of Legislative Decree No. 254/2016 and with the Global Reporting Initiative (GRI) Sustainability Reporting Standards, which the Company's Directors have adopted as reporting standards with reference to the selection of GRI standards reported in the DNF itself.

The Board of Statutory Auditors has overseen observance of Legislative Decree No. 254 of 2016 and verified that the non-financial report allows for an understanding of Group business, trends, performance, and impact and describes the environmental and social issues concerning personnel, the observance of human rights, and the fight against corruption, as well as the

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characteristics of the enterprise and the activities performed, in accordance with Article 3 of Legislative Decree No. 254 of 2016.

The Board of Statutory Auditors points out that, in the Non-Financial Report, the Company indicated specific targets for the year 2025, with regard to certain sustainability indicators specifically indicated therein.

The Board of Statutory Auditors discussed with the independent audit firm in relation to its control activities carried out on the Non-Financial Report, receiving confirmation that no critical issues emerged from them to report.

The Board of Statutory Auditors has also verified the Board of Directors approval of March 16, 2023, of the consolidated non-financial report and the release, on March 27, 2023, by the independent auditor of their related report, which certifies that the DNF has been prepared, in all significant aspects, in compliance with the requirements of Articles 3 and 4 of Legislative Decree 254/2016 and the GRI Standards with reference to the selection of GRI Standards reported therein.

#### **Final evaluations on the supervisory activity performed and proposal to the Shareholders' Meeting**

Having regard to the above and having:

- monitored the observance of the law and the By-Laws, compliance with the principles of correct administration and, in particular, the suitability of the organisational, administrative and accounting structure adopted by the company and its practical functioning;
- monitored compliance with disclosure obligations on insider information;
- monitored the functioning and effectiveness of the internal control system and the administrative and accounting system, in order to assess their adequacy in meeting corporate needs and their reliability for representing accounting data;
- monitored compliance with legal provisions concerning the formation and preparation of the company's Annual Financial Statements and the Group's Consolidated Financial Statements and the Directors' Report for the financial year 2022 (which also contains information on significant events occurring after December 31, 2022), including by means of direct audits and information gathered by the independent audit firm;
- monitored that, in compliance with Regulation (EC) No. 1606/2002 and Legislative Decree No. 38/2005, Aquafil S.p.A.'s financial statements at December 31, 2022, and the Group consolidated financial statement were drawn up in accordance with IAS/IFRS international accounting standards approved by the European Commission and supplemented by the related interpretations issued by the International Accounting Standard Board (IASB);
- verified that the Company has made the necessary arrangements for the purpose of preparing the annual and consolidated financial statements in electronic format (using XHTML technologies), in accordance with the requirements of the current ESEF Regulations;
- overseen observance of the preparation and presentation to the Shareholders of the separate and consolidated financial reports and acknowledged that the Company has established that the Shareholders' Meeting of April 27, 2023 may also take place by way of designated agent in accordance with Article 135-undecies of the CFA;

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- overseen observance of Legislative Decree 254/2016 and Consob Regulation No. 20267/2018 concerning the Consolidated non-financial report included in the Consolidated financial report;
- noted the proposal for the allocation of the net profit for the year and the dividend distribution proposal, to be submitted to the Shareholders' Meeting.

Therefore, the Board of Statutory Auditors declares that, during its supervisory activity, as described above, no reprehensible facts, omissions or irregularities emerged that would require a statement to be made to the competent bodies.

In consideration of the above, the Board of Statutory Auditors of Aquafil S.p.A invites you to approve the financial statements at December 31, 2022, as presented by the Board of Directors together with the Directors' Report and the allocation proposal for the year's result.

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Milan - Verona, March 27, 2023

**The Board of Statutory Auditors**

Mr. Stefano Poggi Longostrevi – Chairman

Ms. Bettina Solimando – Statutory Auditor

Ms. Beatrice Bompieri - Statutory Auditor

# Report on the Audit of the Consolidated Financial Statement



## ***Independent auditor's report***

*in accordance with article 14 of Legislative Decree n° 39  
of 27 January 2010 and article 10 of Regulation (EU) n° 537/2014*

## ***Aquafil SpA***

***Consolidated Financial Statements  
as of 31 dicembre 2022***



## **Independent auditor's report**

*in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014*

To the shareholders of  
Aquafil SpA

### **Report on the Audit of the Consolidated Financial Statements**

#### **Opinion**

We have audited the consolidated financial statements of Aquafil Group (the Group), which comprise the statement of financial position as of 31 December 2022, the income statement, the statement of comprehensive income and the statement of changes in equity, the statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2022, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

#### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of this report. We are independent of Aquafil SpA (the Company) pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were

#### **PricewaterhouseCoopers SpA**

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addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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**Key Audit Matters**

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**Auditing procedures performed in response to key audit matters**

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**Revenue recognition**

*Paragraph 2.4 “Accounting standards and valuation methods” item “Revenues and costs”*

At 31 December 2022, revenues of the Aquafil Group amounted to Euro 684.074 thousand, mainly due to the sale of finished products. These revenues are recognised in the financial statements when control of the goods produced is transferred to the customer and only if all criteria under IFRS 15 (“Revenue from contracts with customers”) are met.

As part of our audit procedures on the consolidated financial statements, the correct recognition of revenues was considered as a key area, since it represents the most significant P&L item and an incorrect recognition of them would cause a considerable alteration of the result for the year.

The audit approach preliminarily consisted in understanding and assessing the internal control system and the procedures set by the Parent Company for the recognition of revenues from sale.

The audit approach then provided to perform compliance testing on key controls, which might have been put in place by the Group companies as part of the above-mentioned procedures, in order to verify the operating efficacy of such controls in the context of the revenue recognition process, with particular reference to the existence of such revenues and their recognition in the correct accrual period.

Taking into account the understanding, assessment and validation of the internal controls mentioned above, validity tests were planned and performed on the relevant financial statement item. In particular, the component auditor has verified, in relation to a sample of transactions deemed representative in the context of the Group, the existence and accuracy of revenues recognised in the financial statements, by examining the information included in the available documentation as supporting evidence.

In addition, we verified the reconciliation of the intercompany balances and their being correctly written off in the consolidated financial statements.

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### ***Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements***

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate Aquafil SpA or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Group's financial reporting process.

### ***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of an audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- we identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;



- we obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- we concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- we evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- we obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate the related risks, or safeguards applied.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

***Additional Disclosures required by Article 10 of Regulation (EU) No. 537/2014***

On 30 January 2018, the shareholders of Aquafil SpA in general meeting engaged us to perform the statutory audit of the Company's and the consolidated financial statements for the years ending 31 December 2017 to 31 December 2025.



We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to report to the board of statutory auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

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### ***Report on Compliance with other Laws and Regulations***

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#### ***Opinion on compliance with the provisions of Commission Delegated Regulation (EU) 2019/815***

The directors of Aquafil SpA are responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 concerning regulatory technical standards on the specification of a single electronic reporting format (ESEF - European Single Electronic Format) (hereinafter, the “Commission Delegated Regulation”) to the consolidated financial statements as of 31 December 2022, to be included in the annual report.

We have performed the procedures specified in auditing standard (SA Italia) No. 700B in order to express an opinion on the compliance of the consolidated financial statements with the provisions of the Commission Delegated Regulation.

In our opinion, the consolidated financial statements as of 31 December 2022 have been prepared in XHTML format and have been marked up, in all significant respects, in compliance with the provisions of the Commission Delegated Regulation.

Due to certain technical limitations, some information included in the illustrative notes to the consolidated financial statements when extracted from the XHTML format to an XBRL instance may not be reproduced in an identical manner with respect to the corresponding information presented in the consolidated financial statements in XHTML format

#### ***Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98***

The directors of Aquafil SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the Aquafil Group as of 31 December 2022, including their consistency with the relevant consolidated financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the consolidated financial statements of the Aquafil Group as of 31 December 2022 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.





In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of Aquafil Group as of 31 December 2022 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

***Statement in accordance with article 4 of Consob's Regulation implementing Legislative Decree No. 254 of 30 December 2016***

The directors of Aquafil SpA are responsible for the preparation of the non-financial statement pursuant to Legislative Decree No. 254 of 30 December 2016. We have verified that the directors approved the non-financial statement.

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016, the non-financial statement is the subject of a separate statement of compliance issued by ourselves.

Trento, 27 March 2023

PricewaterhouseCoopers SpA

*Signed by*

Alberto Michelotti  
(Partner)

*This report has been translated into the English language from the original, which was issued in Italian, solely for the convenience of international readers.*

# Independent Auditor's Report on the Non Financial Report



**AQUAFIL SPA**

**INDEPENDENT AUDITOR'S REPORT ON THE  
CONSOLIDATED NON-FINANCIAL STATEMENT PURSUANT  
TO ARTICLE 3, PARAGRAPH 10, OF LEGISLATIVE DECREE  
NO. 254/2016 AND ARTICLE 5 OF CONSOB REGULATION  
NO. 20267 OF JANUARY 2018**

**YEAR ENDED 31 DECEMBER 2022**



## **Independent auditor's report on the consolidated non-financial statement**

*pursuant to article 3, paragraph 10, of Legislative Decree no. 254/2016 and article 5 of CONSOB regulation no. 20267 of January 2018.*

To the Board of Directors of Aquafil SpA

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016 (the "Decree") and article 5 of CONSOB Regulation No. 20267/2018, we have undertaken a limited assurance engagement on the consolidated non-financial statement of Aquafil SpA and its subsidiaries (the "Group") for the year ended 31 December 2022 prepared in accordance with article 4 of the Decree, and approved by the Board of Directors on 16 March 2023 (the "NFS").

Our review does not extend to the information set out in the paragraph 2.6.2 "European taxonomy" of the NFS, required by article 8 of European Regulation 2020/852.

### **Responsibilities of the Directors and the Board of Statutory Auditors for the NFS**

The Directors are responsible for the preparation of the NFS in accordance with articles 3 and 4 of the Decree and with the "Global Reporting Initiative Sustainability Reporting Standards 2021" defined by GRI – Global Reporting Initiative (hereafter the "GRI Standards"), with reference to the GRI Standards selection disclosed in it.

The Directors are also responsible, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of a NFS that is free from material misstatement, whether due to fraud or error.

Moreover, the Directors are responsible for identifying the content of the NFS, within the matters mentioned in article 3, paragraph 1, of the Decree, considering the activities and characteristics of the Group and to the extent necessary to ensure an understanding of the Group's activities, its performance, its results and related impacts.

Finally, the Directors are responsible for defining the business and organisational model of the Group and, with reference to the matters identified and reported in the NFS, for the policies adopted by the Group and for the identification and management of risks generated and/or faced by the Group.

The Board of Statutory Auditors is responsible for overseeing, in the terms prescribed by law, compliance with the Decree.

### **PricewaterhouseCoopers SpA**

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### ***Auditor's Independence and Quality Control***

We are independent in accordance with the principles of ethics and independence set out in the *Code of Ethics for Professional Accountants* published by the *International Ethics Standards Board for Accountants*, which are based on the fundamental principles of integrity, objectivity, competence and professional diligence, confidentiality and professional behaviour. Our audit firm adopts *International Standard on Quality Control 1 (ISQC Italia 1)* and, accordingly, maintains an overall quality control system which includes processes and procedures for compliance with ethical and professional principles and with applicable laws and regulations.

### ***Auditor's responsibilities***

We are responsible for expressing a conclusion, on the basis of the work performed, regarding the compliance of the NFS with the Decree and the GRI Standards. We conducted our work in accordance with *International Standard on Assurance Engagements 3000 (Revised) – Assurance Engagements Other than Audits or Reviews of Historical Financial Information (“ISAE 3000 Revised”)*, issued by the *International Auditing and Assurance Standards Board (IAASB)* for *limited assurance* engagements. The standard requires that we plan and apply procedures in order to obtain limited assurance that the NFS is free of material misstatement. The procedures performed in a limited assurance engagement are less in scope than those performed in a *reasonable assurance engagement* in accordance with ISAE 3000 Revised, and, therefore, do not provide us with a sufficient level of assurance that we have become aware of all significant facts and circumstances that might be identified in a reasonable assurance engagement.

The procedures performed on the NFS were based on our professional judgement and consisted in interviews, primarily of company personnel responsible for the preparation of the information presented in the NFS, analyses of documents, recalculations and other procedures designed to obtain evidence considered useful.

In detail, we performed the following procedures:

1. Analysis of the relevant matters reported in the NFS relating to the activities and characteristics of the Group, in order to assess the reasonableness of the selection process used, in accordance with article 3 of the Decree and with the reporting standard adopted.
2. Analysis and assessment of the criteria used to identify the consolidation area, in order to assess their compliance with the Decree.
3. Comparison of the financial information reported in the NFS with the information reported in the Group's consolidated financial statements.



4. Understanding of the following matters:
  - a. business and organisational model of the Group with reference to the management of the matters specified by article 3 of the Decree;
  - b. policies adopted by the Group with reference to the matters specified in article 3 of the Decree, actual results and related key performance indicators;
  - c. key risks generated and/or faced by the Group with reference to the matters specified in article 3 of the Decree.

With reference to those matters, we compared the information obtained with the information presented in the NFS and carried out the procedures described under point 5 a) below.

5. Understanding of the processes underlying the preparation, collection and management of the significant qualitative and quantitative information included in the NFS.  
In detail, we held meetings and interviews with the management of Aquafil SpA and we performed limited analyses of documentary evidence, to gather information about the processes and procedures for the collection, consolidation, processing and submission of the non-financial information to the function responsible for the preparation of the NFS.

Moreover, for material information, considering the activities and characteristics of the Group:

- at a group level,
  - a) with reference to the qualitative information included in the NFS, and in particular to the business model, the policies adopted and the main risks, we carried out interviews and acquired supporting documentation to verify its consistency with available evidence;
  - b) with reference to quantitative information, we performed analytical procedures as well as limited tests, in order to assess, on a sample basis, the accuracy of consolidation of the information;
- for the following companies and the related plants, Aquafil SpA (manufacturing plant of Arco di Trento), Tessilquattro SpA (manufacturing plant of Rovereto) and AquafilSLO d.o.o. (manufacturing plant of Celje), which were selected on the basis of their activities, their contribution to the performance indicators at a consolidated level and their location, we carried out drill down activities with local management and gathered supporting documentation regarding the correct application of the procedures and calculation methods used for the key performance indicators.



### **Conclusion**

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of Aquafil Group for the year ended as of 31 December 2022 is not prepared, in all material respects, in accordance with articles 3 and 4 of the Decree and with the selection of GRI Standards disclosed in it.

Our conclusions on the NFS of Aquafil Group do not extend to the information set out in paragraph 2.6.2 “European taxonomy” of the NFS, required by article 8 of European Regulation 2020/852.

Trento, 27 March 2023

PricewaterhouseCoopers SpA

Signed by

Alberto Michelotti  
(Partner)

Paolo Bersani  
(Authorised signatory)

*This report has been translated from the Italian original solely for the convenience of international readers. We have not performed any controls on the NFS 2022 translation.*







Separate  
Financial Statements  
at December 31, 2022



## Separate Financial Statements at December 31, 2022

### BALANCE SHEET

(in Euro)	Note	At December 31, 2022	At December 31, 2021
Intangible assets	7.1	12,705,447	14,269,602
Property, plant & equipment	7.2	37,623,832	37,128,840
Financial assets	7.3	348,114,481	311,828,809
<i>of which parent companies, related parties</i>		40,084,048	3,812,976
Other assets	7.4	303,660	503,660
Deferred tax assets	7.5	2,172,164	2,058,856
<b>Total non-current assets</b>		<b>400,919,583</b>	<b>365,789,767</b>
Inventories	7.6	65,403,742	53,644,502
Trade receivables	7.7	115,824,894	84,123,145
<i>of which parent companies, related parties</i>		115,597,486	79,120,012
Financial assets	7.3	5,012,834	6,200,000
<i>of which parent companies, related parties</i>		950,000	6,200,000
Tax receivables	7.8	2,470	0
Other assets	7.9	7,361,179	6,712,799
<i>of which parent companies, related parties</i>		247,224	3,152,454
Cash and cash equivalents	7.10	52,712,510	79,697,664
Assets held-for-sale	7.11	1,755,493	1,885,944
<b>Total current assets</b>		<b>248,073,121</b>	<b>232,264,055</b>
<b>Total assets</b>		<b>648,992,704</b>	<b>598,053,822</b>
Share capital	7.12	49,722,417	49,722,417
Reserves	7.12	55,026,253	55,215,528
Profit for the year	7.12	15,930,426	11,153,279
<b>Total shareholders' equity</b>		<b>120,679,096</b>	<b>116,091,225</b>
Employee benefits	7.13	1,804,990	2,176,221
Financial liabilities	7.14	281,537,972	258,357,023
<i>of which parent companies, related parties</i>		10,626,608	10,522,931
Provisions for risks and charges	7.15	1,082,731	819,422
Deferred tax liabilities	7.5	13,013	929,116
Other liabilities	7.16	6,032,549	9,226,450
<b>Total non-current liabilities</b>		<b>290,471,256</b>	<b>271,508,231</b>
Financial liabilities	7.14	75,125,790	62,830,227
<i>of which parent companies, related parties</i>		814,339	673,357
Current tax payables	7.18	73,016	593,102
Trade payables	7.17	146,839,867	133,076,719
<i>of which parent companies, related parties</i>		70,824,101	52,288,648
Other liabilities	7.16	15,803,680	13,954,319
<i>of which parent companies, related parties</i>		2,829,855	1,289,505
<b>Total current liabilities</b>		<b>237,842,353</b>	<b>210,454,367</b>
<b>Total shareholders' equity &amp; liabilities</b>		<b>648,992,704</b>	<b>598,053,823</b>

## INCOME STATEMENT

(in Euro)	Note	At December 31, 2022	of which non-recurring	At December 31, 2021	of which non-recurring
Revenue	8.1	694,343,333		569,834,692	
<i>of which related parties</i>		332,084,678		238,480,330	
Other revenues and income	8.2	7,099,124	39,298	372,432	28,798
<i>of which related parties</i>		0		0	
<b>Total revenues and other revenues and income</b>		<b>701,442,456</b>	<b>39,298</b>	<b>570,207,124</b>	<b>28,798</b>
Cost of raw materials and changes to inventories	8.3	(554,993,034)	0	(462,799,467)	(29,600)
<i>of which related parties</i>		(370,480,079)		(290,792,688)	
Service costs and rents, leases and similar costs	8.4	(75,189,985)	(527,595)	(44,907,503)	(447,153)
<i>of which related parties</i>		(2,401,474)		(3,171,282)	
Labour costs	8.5	(37,732,601)	(178,933)	(38,085,855)	(393,493)
<i>of which related parties</i>		153,108		172,553	
Other costs and operating charges	8.6	(883,657)	(254,674)	(738,548)	(163,855)
<i>of which related parties</i>		(26,000)		(26,000)	
Depreciation and amortisation	8.7	(10,710,713)		(10,797,594)	
Provisions and write-downs	8.8	(359,777)		(146,502)	
(Write-down)/recovery of financial assets (receivables)					
Increase in internal work capitalised	8.9	1,412,246		1,647,112	
<b>EBIT</b>		<b>22,984,936</b>	<b>(921,905)</b>	<b>14,378,767</b>	<b>(1,005,303)</b>
Investment income/charges	8.10	183,028		6,794,358	
<i>of which related parties</i>		182,659		6,794,147	
Financial income	8.11	5,219,302		1,056,584	
<i>of which related parties</i>		632,636		448,979	
Financial charges	8.12	(9,312,339)		(9,983,114)	
<i>of which related parties</i>		(2,008,626)		(3,331,910)	
Exchange gains/losses	8.13	480,933		401,186	
<b>Profit before taxes</b>		<b>19,555,859</b>	<b>(921,905)</b>	<b>12,647,782</b>	<b>(1,005,303)</b>
Income taxes	8.14	(3,625,433)	0	(1,494,502)	
<b>Profit for the year</b>		<b>15,930,426</b>	<b>(921,905)</b>	<b>11,153,279</b>	<b>(1,005,303)</b>

## COMPREHENSIVE INCOME STATEMENT

(in Euro)	Note	December 2022	December 2021
<b>Profit for the year</b>		<b>15,930,426</b>	<b>11,153,279</b>
Actuarial gains/(losses)		(227,999)	(62,776)
Tax effect from actuarial gains and losses		54,720	15,066
<b>Other income items not to be reversed to income statement in subsequent periods</b>		<b>(173,279)</b>	<b>(47,709)</b>
Currency difference from conversion of financial statements in currencies other than the Euro		0	0
Other income items to be reversed to income statement in subsequent periods		0	0
<b>Total comprehensive income</b>	<b>7.12</b>	<b>15,757,147</b>	<b>11,105,570</b>

## CASH FLOW STATEMENT

(in Euro)	Note	At December 31, 2022	At December 31, 2021
<b>Operating activities</b>			
Profit for the year		15,930,426	11,153,279
Income taxes	8.14	3,625,433	1,494,502
Investment income and charges	8.10	(183,028)	(6,794,358)
<i>of which related parties:</i>		(182,659)	(6,794,147)
Financial income	8.11	(5,219,302)	(1,056,584)
<i>of which related parties:</i>		(632,636)	(448,979)
Financial charges	8.12	9,312,339	9,983,114
<i>of which related parties:</i>		2,008,626	3,331,910
Exchange gains/(losses)	8.13	(480,933)	(401,186)
Asset disposal (gains)/losses		(289,155)	(56,558)
Provisions and write-downs	8.8	359,777	146,502
Amortisation, depreciation and write-downs of tan. assets	8.7	10,710,713	10,797,594
<b>Cash flow from operating activities before working capital changes</b>		<b>33,766,271</b>	<b>25,266,304</b>
Decrease/(Increase) in inventories	7.6	(11,759,239)	(8,109,721)
Increase/(Decrease) in trade payables	7.17	13,763,149	56,733,346
<i>of which related parties:</i>		18,535,453	19,117,359
Decrease/(Increase) in trade receivables	7.7	(62,410,668)	(44,275,345)
<i>of which related parties:</i>		(67,186,393)	(41,749,318)
Changes to assets and liabilities		(5,189,051)	3,210,386
<i>of which related parties:</i>		4,566,662	403,550
Net paid financial charges		(8,598,997)	(8,926,530)
Income taxes paid		(1,132,058)	0
Dividends received		183,028	7,000,000
Utilisation of provisions		(462,698)	(380,392)
<b>Cash flow generated/(absorbed) from operating activities (A)</b>		<b>(37,334,304)</b>	<b>30,518,049</b>
<b>Investing activities</b>			
Investments in tangible assets	7.2	(6,811,367)	(5,008,340)
Disposal of tangible assets	7.2	863,247	694,805
Investments in intangible assets	7.1	(2,182,808)	(2,407,493)
Disposal of intangible assets	7.1	132,440	14,400
Investments in financial assets	7.3	(50,000)	(2,159,905)
Disposal of financial assets	7.3	0	211
<b>Cash flow generated by investing activities (B)</b>		<b>(8,048,488)</b>	<b>(8,866,322)</b>
<b>Financing activities</b>			
Drawdown non-current bank loans and borrowings		94,000,000	30,000,000
Repayment non-current bank loans and borrowings		(52,285,013)	(122,835,240)
Net changes in current and non-current financial assets and liabilities (including IFRS 16)		(6,072,101)	18,491,547
<i>of which related parties:</i>		(67,494)	20,766,132
Non-monetary increase/decrease IFRS 16		(1,223,456)	(1,650,311)
<i>of which related parties:</i>		(631,831)	(1,152,982)
Dividends distributed	7.12	(6,046,158)	
<i>of which related parties:</i>		(3,576,364)	
Acquisition of minority interests			
Acquisition of treasury shares		(5,469,675)	(2,544,855)
<b>Cash flow from generated/(absorbed) by financing activities (C)</b>		<b>18,397,636</b>	<b>(78,538,859)</b>
<b>Net cash flow in the year (A) + (B) + (C)</b>		<b>(26,985,155)</b>	<b>(56,887,132)</b>
Opening cash and cash equivalents	7.10	79,697,665	136,584,797
Closing cash and cash equivalents	7.10	52,712,510	79,697,665

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(in Euro)	Share capital	Legal reserve	Share premium reserve	Negative reserve for treasury shares in portfolio	Non-distributable reserve for listing costs
<b>At January 1, 2021</b>	<b>49,722,417</b>	<b>664,471</b>	<b>19,975,348</b>	<b>0</b>	<b>(3,287,529)</b>
Share capital increase					
Allocation of prior-year result		34,702			
Distribution dividends					
Treasury share purchases				(2,544,855)	
Profit for the year					
Actuarial gains/(losses) employee benefits					
<b>Comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>		<b>0</b>
<b>At December 31, 2021</b>	<b>49,722,417</b>	<b>699,173</b>	<b>19,975,348</b>	<b>(2,544,855)</b>	<b>(3,287,529)</b>
Share capital increase					
Allocation of prior-year result		557,664			
Dividends distributed					
Treasury share purchases				(5,469,675)	
Profit for the year					
Actuarial gains/(losses) employee benefits					
<b>Comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>		<b>0</b>
<b>At December 31, 2022</b>	<b>49,722,417</b>	<b>1,256,837</b>	<b>19,975,348</b>	<b>(8,014,531)</b>	<b>(3,287,529)</b>



FTA Reserve	IAS 19 Reserve	Other reserves	Retained earnings	Net result	Total reserves	Total Shareholders' Equity
(2,156,097)	(307,019)	22,484,182	19,740,699	694,036	57,808,092	107,530,510
					0	0
			659,334	(694,036)	0	0
					0	0
					(2,544,855)	(2,544,855)
				11,153,279	11,153,279	11,153,279
	(47,709)				(47,709)	(47,709)
<b>0</b>	<b>(47,709)</b>	<b>0</b>	<b>0</b>	<b>11,153,279</b>	<b>11,105,570</b>	<b>11,105,570</b>
(2,156,097)	(354,728)	22,484,182	20,400,033	11,153,279	66,368,807	116,091,224
					0	0
			10,595,615	(15,930,426)	0	0
		(6,046,158)			(6,046,158)	(6,046,158)
					(5,469,675)	(5,469,675)
				15,930,426	15,930,426	15,930,426
	173,279				173,279	173,279
<b>0</b>	<b>173,279</b>	<b>0</b>	<b>0</b>	<b>15,930,426</b>	<b>16,103,705</b>	<b>16,103,705</b>
(2,156,097)	(181,449)	16,438,024	30,995,648	15,930,426	70,956,679	120,679,097

# NOTES TO THE FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

### 1.1 Introduction

Aquafil S.p.A. (“Aquafil”, “Company” or “Parent company” and, together with its subsidiaries, “Group” or “Aquafil Group”) is a joint stock company listed on the Italian Stock Exchange, Euronext STAR Segment since December 4, 2017, resulting from the business combination through merger by incorporation of Aquafil S.p.A. (pre-merger), founded in 1969 in Arco (TN) and renowned for the production and distribution of fibers and polymers, principally polyamide, into Space 3 S.p.A., as an Italian registered Special Purpose Acquisition Company (SPAC), with efficacy from December 4, 2017.

The majority shareholder of Aquafil S.p.A. is Aquafin Holding S.p.A., with registered office in Via Leone XIII No. 14, 20145 Milan, Italy, which however does not exercise management and co-ordination activities. The ultimate parent company, which draws up specific consolidated financial statements, is GB&P S.r.l. with registered office in Via Leone XIII No. 14, 20145 Milan, Italy.

Aquafil produces and sells fibers and polymers, principally polyamide 6, on a global scale through the:

- (i) BCF Product Line (carpet fibers), or synthetic yarns mainly intended for the textile flooring sector and used in “contract” segments (hotels, airports, offices, etc.), residential buildings and the automotive market;
- (ii) NTF Product Line (clothing fibers), or synthetic yarns mainly intended for the clothing sector (sportswear, classic, technical or specialist apparel);
- (iii) Polymers Product Line, or plastic raw materials, mainly targeting the engineering plastics sector for subsequent use in the moulding industry.

The Company’s products are also sold on the market under the ECONYL® brand, which offers the Company’s products obtained by regenerating industrial waste and end-of-life products.

The Company enjoys a consolidated presence in Europe, the United States and Asia.

### 1.2 Financial Statement Presentation

These financial statements were prepared for the year ended December 31, 2022, in accordance with EU Regulation 809/2004, in compliance with International Financial Reporting Standards, issued by the International Accounting Standards Board and endorsed by the European Union (IFRS).

The Financial Statements were approved by the Board of Directors of the company on March 16, 2023, and audited by PricewaterhouseCoopers S.p.A., statutory auditors of the company.

### 1.3 Non-Financial Report

Aquafil S.p.A., as an Entity of Significant Public Interest (“EIPR”) and the parent company of the Aquafil Group, prepares and presents, from financial year 2017, the “Consolidated Non-Financial Report”, as per Article 5 “Placement of the report and communication” as per Legislative Decree 254/2016 concerning the communication of non-financial and diversity disclosure by certain large enterprises and groups. Therefore, Aquafil, as per Article 6 exemptions and special cases, is not subject to the obligation to prepare an individual non-financial report relating to only the separate financial statements.

## 2. ACCOUNTING POLICIES AND MEASUREMENT CRITERIA

The main accounting policies adopted in the preparation of the Separate Financial Statements are reported below. These accounting policies were applied in line with the year 2021 presented for comparative purposes and those applied at December 31, 2022.

## 2.1 Basis of preparation

As previously indicated, these financial statements were prepared in accordance with IFRS, i.e. all “International Financial Reporting Standards”, all “International Accounting Standards” (“IAS”), all interpretations of the International Reporting Interpretations Committee (“IFRIC”), previously called the Standards Interpretations Committee (“SIC”) which, at the approval date of the Financial Statements, were endorsed by the European Union pursuant to EU Regulation No. 1606/2002 of the European Parliament and European Council of July 19, 2002.

These financial statements were prepared:

- on the basis of extensive knowledge on the IFRS and taking into account best practice; any further orientations and interpretative updates will be reflected in subsequent years, in accordance with the provisions of the accounting standards;
- on a going-concern basis of the company, as the directors verified the absence of financial, operating or other indicators which may suggest difficulties with regards to the company’s capacity to meet its obligations in the foreseeable future and in particular in the next 12 months;
- under the historical cost convention, except for the measurement of financial assets and liabilities where the obligatory application of the fair value criterion is required.

## 2.2 Form and content of the financial statements

The financial statements of Aquafil S.p.A. have been prepared in euro. The financial statements and the relative classification criteria adopted by the company, within the options permitted by IAS 1 “Presentation of financial statements” (“IAS 1”) are illustrated below:

- the *balance sheet* is presented with separation between “current and non-current” assets and liabilities;
- the *income statement* was prepared separately from the comprehensive income statement, and was prepared classifying operating costs by expense type;
- the *comprehensive income statement* which includes, in addition to the result for the period, also the changes to equity relating to income items which, in accordance with International Accounting Standards, are recognised under equity;
- the *cash flow statement* prepared in accordance with the “indirect method”.

The financial statements utilised are those which best represent the result, equity and financial position of the company.

## Subsidiaries

A party controls an entity when it is: (i) exposed, or has the right to participate, in the relative variable economic returns and (ii) able to exercise its decisional power on the activities relating to the entity in order to influence these returns. The existence of control is verified where events or circumstances indicate an alteration to one of the above-mentioned factors determining control. The year-end of the subsidiary companies coincides with that of Aquafil S.p.A..

## Associated companies

Associated companies are companies in which the Company has a significant influence, which is presumed to exist when the percentage held is between 20% and 50% of the voting rights.

## Business combinations

The company did not undertake in the year any business combinations as defined by IFRS 3.

## Impairment test

The impairment test assesses whether there exist any indications that an asset may have incurred a reduction in value. For indefinite useful life intangible assets an assessment should be made at least annually that their recoverable value is at least equal to the book value and, when considered necessary, or rather in the presence of trigger events (IAS 36 paragraph 9), the impairment test must be undertaken more frequently.

In assessing the recoverable value of its property, plant and equipment, investment property and intangible assets, the Group generally applies the criterion of the value in use, where required, i.e. the presence of trigger events.

The value in use is the present value of the expected future cash flows to be derived from an asset. In defining the value in use, the expected future cash flows are discounted utilising a pre-tax rate that reflects the current market assessment of the time value of money, and the specific risks of the asset.

The estimated future cash flows utilised to determine the value in use is based on the most recent business plans, approved by management and containing forecasts for volumes, revenues, operating costs and investments.

These forecasts cover the period of the next three years; consequently, the cash flows relating to the subsequent years are determined on the basis of a growth rate which does not exceed the average growth rate for the sector and the country.

Where the book value of an asset is higher than its recoverable value a loss in value is recognised which is recorded in the income statement under “Amortisation, depreciation and write-downs”.

When the reasons for the write-down no longer exist, the carrying value of the asset is restated through the income statement, in the account “Amortisation, depreciation & write-downs”, up to the value at which the asset would be recorded if no write-down had taken place and amortisation or depreciation had been recorded.

## Translation of accounts in foreign currencies

Transactions in currencies other than the Euro are recognised at the exchange rate at the date of the transaction. Assets and liabilities denominated in currencies other than the euro are subsequently adjusted to the exchange rate at the reporting date. Exchange differences are recognised to the income statement under “Exchange gains and losses”.

Non-monetary assets and liabilities denominated in currencies other than the euro are recorded at historical cost, utilising the exchange rate on the initial recording of the transaction.

The primary exchange rates adopted for the translation of the monetary assets and liabilities in foreign currencies with the euro are shown in the table below:

	December 2022		December 2021	
	Period-end rate	Average rate	Period-end rate	Average rate
US Dollar	1.07	1.05	1.13	1.18
Croatian Kuna	7.54	7.53	7.52	7.53
Chinese Yuan	7.36	7.08	7.19	7.63
Turkish Lira	19.96	17.41	15.23	10.51
Baht	36.84	36.86	37.65	37.84
UK Sterling	0.89	0.85	0.84	0.86
Australian Dollar	1.57	1.52	1.56	1.57
Japanese Yen	140.66	138.03	130.38	129.88
Chilean Peso	913.82	917.86		

## 2.3 Accounting standards

The most significant accounting policies adopted in the preparation of the Financial Statements are reported below.

### CLASSIFICATIONS OF CURRENT AND NON-CURRENT ASSETS AND LIABILITIES

The company classifies an asset as current when:

- it is held for sale or consumption, in the normal operating cycle;
- it is principally held for trading;
- it is expected to be realised within 12 months from the reporting date; or
- it comprises cash or cash equivalents whose use is not restricted or restrictions such as to impede its use for at least 12 months from the reporting date.

All assets that do not meet the conditions listed above are classified as non-current.

The Company classifies a liability as current when:

- it is expected to be settled within the normal operating cycle;
- it is principally held for trading;
- it must be settled within twelve months of year-end; or
- the entity does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

All the liabilities which do not satisfy the above-mentioned conditions are classified as non-current.

## INTANGIBLE ASSETS

An intangible asset is an asset without physical substance, identifiable and capable of generating future economic benefits. The requisite of identifiability is normally met when an intangible asset is:

- attributable to a legal or contractual right; or
- separable, that is, it can be sold, transferred, leased or exchanged independently.

Control over an intangible asset consists of the right to take advantage of future economic benefits arising from the asset and the possibility of limiting its access to others.

Intangible assets are initially recognised at purchase and/or production cost, including the costs of bringing the asset to its current use. All other subsequent costs are expensed in the income statement in the year incurred. Research expenses are recorded as costs when incurred.

An intangible asset, generated during a project's development phase, which complies with the definition of development on the basis of IAS 38, is recognised as an asset if:

- the cost can be measured reliably;
- the product/process is technically feasible;
- it is likely that the company will obtain the future economic benefits that are attributable to the asset developed, and
- where the company intends to complete the project's development and has sufficient resources to do so.

## INTANGIBLE ASSETS WITH DEFINITE USEFUL LIVES

Intangible assets with definite useful lives are recognised as cost, as previously described, net of accumulated amortisation and any impairment.

Amortisation begins when the asset is available for use and is recognised on a straight-line basis in relation to the residual possibility of use and thus over the estimated useful life of the asset; for the amount to be amortised and its recoverability the criteria to be utilised is that outlined, respectively, in the paragraphs "Property, plant and equipment" and "Impairment of property, plant and equipment and intangible assets".

The estimated useful life of the various categories of intangible assets is as follows:

	<b>Estimated useful life</b>
Concessions, licences & trademarks	10 years
Development costs	5 years
Industrial patents & intellectual property rights	10 years
Other intangible assets	Duration of contract

## PROPERTY, PLANT & EQUIPMENT

Property, plant and equipment are measured at purchase or production cost, net of accumulated depreciation and any impairments. The purchase or production cost includes charges directly incurred for bringing the asset to their condition for use, as well as dismantling and removal charges which will be incurred consequent of contractual obligations, which require the asset to be returned to its original condition. The financial charges directly attributable to the acquisition, incorporation or production of property, plant and

equipment whose realisation requires timeframes above one year, are capitalised and depreciated based on the useful life of the asset to which they refer.

The expenses incurred for the maintenance and repairs of an ordinary nature are charged to the income statement when they are incurred. The capitalisation of costs relative to the expansion, modernisation or improvement of the structural elements whether owned or leased, is solely made within the limits established to be separately classified as assets or part of an asset. The assets recorded in relation to leasehold improvements are amortised based on the duration of the rental contract, or on the basis of the specific useful life of the asset, if lower.

Depreciation is charged on a straight-line basis, which depreciates the asset over its economic/technical useful life. Applying the principle of the component approach, when the asset to be depreciated is composed of separately identifiable elements whose useful life differs significantly from the other parts of the asset, the depreciation is calculated separately for each part of the asset.

The estimated useful life of the main categories of property, plant and equipment is as follows:

	<b>Estimated useful life</b>
Buildings and light constructions	10 - 17 - 33 years
General plant and machinery	7 - 8 - 10 - 13 years
Industrial and commercial equipment	2 - 4 - 8 years
Other assets	4 - 5 - 8 years
Right-of-Use	Duration of contract

Land, including that adjacent to production facilities, is not depreciated. The useful life of property, plant and equipment is reviewed and updated, where necessary, at least at the end of each year.

A tangible fixed asset is eliminated from the financial statements when the asset is sold or when no expected economic benefits exist from its use or disposal. Any gains or losses (calculated as the difference between net income from sales and the net book value of the asset sold) are recognised in the income statement in the year of disposal.

## LEASED ASSETS

International Accounting Standard IFRS 16 identifies the principles for the recognition, measurement and presentation in the financial statements of leasing contracts, as well as enhancing the relative disclosure requirements.

Specifically, IFRS 16 defines leasing as a contract which assigns to the client (lessee) the right-of-use of an asset for a set period of time in exchange for consideration, without distinguishing finance leases from operating leases such as rental and hire.

The definition of a contractual agreement as a lease transaction (or containing a lease transaction) is based on the substance of the agreement and requires an assessment of whether fulfilment of the agreement depends on the use of one or more specific assets and if the agreement transfers the right to use them.

Companies that operate as lessee therefore recognise in their financial statements, at the effective date of the lease, an asset representing the right to use of the asset (defined as the "Right-of-Use") and a liability, attributable to the obligation to make the payments provided for in the contract. The lessee should subsequently recognise the interest concerning the lease liability separate from the depreciation of the right-of-use assets. IFRS 16 also requires lessees to restate the amounts of the lease liability on the occurrence of certain events (e.g. a change to the duration of the lease, a change to the value of the future payments due to a change in an index or rate utilised to determine these payments). In general, the restatement of the amount of the lease liability implies an adjustment also to the right-of-use asset.

Differing from that required for lessees, for the purposes of the preparation of the financial statements of lessors (the lessor), the new International Accounting Standard maintains the distinction between operating and finance leases as per IAS 17.

## IMPAIRMENT OF INTANGIBLE AND TANGIBLE ASSETS

### Intangible and tangible assets with definite useful life

A verification is carried out at each reporting date to establish whether there are indicators that tangible and intangible assets may have suffered an impairment. To this end, both internal and external sources of information are considered. With regard to the former (internal sources), obsolescence or the asset's physical deterioration and any significant changes in the asset's use and the asset's economic performance in comparison to projections are taken into consideration. As regards external sources, the trend in the assets' market prices, any technological, market or regulatory discontinuities, the trend in market rate interest rates or the cost of capital used to evaluate investments are considered.

Where these indicators exist, an estimate of the recoverable value of the above-mentioned assets is made, recording any write-down compared to the relative book value in the income statement. The recoverable value of an asset is the higher between the fair value, less costs to sell, and its value in use, determined discounting the estimated future cash flows for this asset, including, where significant and reasonably determinable, those deriving from the sale at the end of the relative useful life, net of any transaction costs. In defining the value in use, the expected future cash flows are discounted utilising a pre-tax rate that reflects the current market assessment of the time value of money, and the specific risks of the asset. For an asset that does not generate independent cash flows, the recoverable value is determined in relation to the cash-generating unit to which the asset belongs.

A loss in value is recognised in the income statement when the carrying value of the asset, or of the relative CGU to which it is allocated, is higher than its recoverable value. The loss in value of CGU's are firstly attributed to the reduction in the carrying value of any goodwill allocated and, thereafter, to a reduction of other assets, in proportion to their carrying value and in the limit of the relative recoverable value. When the reasons for the write-down no longer exist, the book value of the asset is restated through the income statement, up to the value at which the asset would be recorded if no write-down had taken place and amortisation or depreciation had been recorded.

## EQUITY INVESTMENTS

### In subsidiaries

Investments in subsidiaries are recorded at acquisition or subscription cost.

Where there is an indication of a loss in value, the recoverability of the recognition value is verified through a comparison between the carrying amount and the higher between the value in use, determined discounting the future cash flows of the investment and, where possible, the hypothetical sales value determined based on recent transactions or market multiples.

The share of the loss exceeding the carrying amount is recorded in a specific provision for the amount that the company considers there exists legal or implied obligations to cover the losses or in any case within the limits of the book net equity. Where there is a subsequent improvement in the performance of the investee subject to the write-down such as to consider the reasons for the impairment no longer existing, the investments are revalued within the limits of the write-downs recognised in previous years. The dividends from subsidiaries are recorded in the income statement in the year in which they are approved.

### In associates

Associated companies are companies in which the Company has a significant influence, which is presumed to exist when the percentage held is between 20% and 50% of the voting rights. Associated companies are measured under the equity method and are initially recorded at cost. The equity method is as described below:

- the book value of these investments is aligned to the net equity of the company adjusted, where necessary, to reflect the application of IFRS and includes the recognition of the higher value attributed to the assets and liabilities and to any goodwill, identified on acquisition; in line with a similar process to that previously described for business combinations;
- the profits and losses pertaining to the Company are recognised when the significant influence begins and until the significant influence ceases to exist. In the case where, due to losses, the company valued under this method indicates a negative net equity, the carrying value of the investment is written down and any excess pertaining to the Company, where this latter is committed to comply with legal or implicit obligations of the investee, or in any case to cover the losses, is recorded in a specific provision; the equity changes of the companies valued under the equity method, not recorded through the income statement, are recorded directly in the comprehensive income statement;
- the gains and losses not realised, generated on transactions between the Company/Subsidiaries and investments measured under the equity method are eliminated based on the share pertaining to the investee, except for losses, when they represent a reduction in value of the underlying asset, and dividends which are fully eliminated.



When there is objective evidence of an impairment, the recovery is verified comparing the carrying value with the relative recoverable value adopting the criteria indicated in the paragraph “Impairments of tangible and intangible assets”. When the reasons for the impairment no longer exist, the investments are revalued within the limits of the write-downs, with effects recognised to the income statement.

The transfer of shareholdings resulting in the loss of joint control or significant influence over the investee company determines the recognition in the comprehensive income statement:

- of any gain/loss calculated as the difference between the amount received and the corresponding fraction of the carrying amount transferred;
- of the effect of the remeasurement of any residual investment in line with the relative fair value;
- of any values recorded under other comprehensive items related to the investee for which reclassification to the comprehensive income statement is envisaged.

The value of any equity investment aligned to its fair value at the date of the loss of joint control or significant influence, represents the new carrying amount and, therefore, the reference value for the subsequent valuation according to the applicable valuation criteria.

Once an equity investment, or a share of this equity, measured under the equity method is classified as held for sale in so far as it meets the criteria for such classification, the equity investment or share of equity, is no longer measured under the equity method.

## SECURITIES OTHER THAN EQUITY INVESTMENTS

Securities other than equity investments, included under “Financial assets”, are held in portfolio until maturity. They are recognised at acquisition cost (with reference to the “trading date”) including transaction costs.

## LOANS, RECEIVABLES AND FINANCIAL ASSETS HELD-TO-MATURITY

The financial assets are measured based on IFRS 9.

Company assesses at each reporting date whether a financial asset or a group of financial assets have incurred a loss in value.

## IMPAIRMENTS OF FINANCIAL ASSETS

At the reporting date, all the financial assets, other than those measured at fair value through the comprehensive income statement, are analysed in order to verify whether there is evidence of a loss in value. An impairment loss is recognised if, and only if, this evidence exists as a result of one or more events that have an impact on the asset’s expected future cash flows, occurring after its initial recognition.

In the valuation account is also taken of future economic conditions.

For financial assets accounted for through the amortised cost criterion, when a loss in value has been identified, its value is measured as the difference between the asset’s carrying amount and the present value of expected future cash flows, discounted on the basis of the original effective interest rate. This value is recognised in the income statement under the item “Provisions and write-downs”. When, in subsequent periods, the reasons for the write-down no longer exist, the value of the financial assets are restated up to the value deriving from the application of the amortised cost criterion.

## INVENTORIES

Inventories are recorded at the lower of purchase or production cost and realisable value represented by the amount that the Company expects to obtain from their sale in the normal course of operations of the assets, net of accessory costs. The cost of inventories is calculated using the weighted average cost method. The value of finished or semi-finished product inventories includes direct or indirect processing costs. To determine the weighted average cost of production or processing, the Company considers the weighted average cost of the raw material and the direct and indirect production costs, generally taken as a percentage of direct costs.

The value of inventories was recorded net of any impairment provisions.

## TRADE AND OTHER RECEIVABLES (CURRENT AND NON-CURRENT)

Trade receivables and other current and non-current receivable are considered financial instruments, principally relating to customer receivables, non-derivative, not listed on an active market, from which fixed or determinable payments are expected. Trade receivables and other receivables are classified in the balance sheet under current assets, except for amounts due beyond 12 months from the reporting date, which are classified as non-current. These financial assets are recorded in the balance sheet when the company becomes part of the related contracts and are derecognised when the right to receive the cash flow is transferred together with all the risks and benefits associated with the asset sold.

Trade and other current and non-current receivables are initially recorded at their fair value, and subsequently with the amortised cost method using the effective interest rate, reduced for any impairment.

Impairments on receivables are recognised in the income statement when there is objective evidence that the Company will not be able to recover the credit on the basis of contractual conditions.

The write-down amount is measured as the difference between the asset's carrying amount and the present value of expected future cash flows.

The value of receivables is shown in the balance sheet net of the corresponding doubtful debt provision.

## CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash, on-demand deposits and financial assets with an original maturity of three months or less, readily convertible into cash and subject to an insignificant risk of changes in value. The items included in cash and cash equivalents are measured at fair value and the relative changes are recorded in the income statement.

## EMPLOYEE BENEFITS

For the defined benefit plans, which include post-employment benefit provisions due to employees pursuant to Article 2120 of the Italian Civil Code, the amount to be paid to employees is quantifiable only after the termination of the employment service period, and is related to one or more factors such as age, years of service and remuneration. Therefore, the relative charge is recorded in the income statement based on actuarial calculations. The liability recorded in the accounts for defined benefit plans corresponds to the present value of the obligation at the reporting date. The obligations for the defined benefit plans are determined annually by an independent actuary utilising the projected unit credit method. The present value of the defined benefit plan is determined discounting the future cash flows at an interest rate equal to the obligations (high-quality corporate) issued in euro and takes into account the duration of the relative pension plan. The actuarial gains and losses deriving from these adjustments and the changes in the actuarial assumptions are recognised in the comprehensive income statement.

From January 1, 2007, the Finance Act and relative decrees enacted introduced important amendments in relation to post-employment benefits, among which was the choice given to the employee to determine where the benefit matured in the period is invested. In particular, the new post-employment benefits can be utilised by the employee for their own chosen pension scheme or they may choose to leave the amount in the company. In the case of allocation to external pension funds, the Company is only liable to pay a defined contribution to the selected fund and as from that date, the newly matured portion are in the nature of defined contribution plans and are therefore not subject to actuarial valuation.

## TRADE AND OTHER PAYABLES (CURRENT AND NON-CURRENT)

Financial liabilities (with the exclusion of derivative financial instruments) relate to trade and other payables and are initially recorded at fair value, net of directly allocated accessory costs. After initial recognition, they are measured at amortised cost, recording any differences between cost and repayment amount in the income statement over the duration of the liability, in accordance with the

effective interest rate method. When there is a change in the expected cash flows, the value of the liabilities is recalculated to reflect this change, based on the new present value of the expected cash flows and on the effective internal rate initially determined.

## ELIMINATION OF FINANCIAL ASSETS AND LIABILITIES

Financial assets (or, where applicable, part of a financial asset or part of a group of similar financial assets) are derecognised from the financial statements when:

- the right to receive the financial flows of the asset terminate;
- the company retains the contractual right to receive the cash flows from the asset, but assumes a contractual obligation to pay the cash flows fully and without delay to a third party;
- the company has transferred its right to receive cash flows from the asset and (a) has transferred substantially all of the risks and rewards of ownership of the financial asset or (b) has not transferred or retained substantially all of the risks and rewards of the asset, but has transferred control over same.

A financial liability is derecognised from the financial statements when the underlying liability is settled, cancelled or fulfilled.

## DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are only used by Aquafil for the hedging of financial risks related to interest rate fluctuations on bank debt.

A derivative is a financial instrument or other contract:

- whose value changes in response to changes in an underlying defined parameter such as the interest rate, the price of a security or commodity, foreign currency exchange rate, the index of prices or rates, credit rating or another variable;
- that requires a zero initial net investment, or lower than what would be required for contracts with a similar response to changes in market conditions;
- which is settled at a future date.

The financial instruments are undertaken to hedge against the interest rate risk. In accordance with IAS 39, which remains applicable optionally with respect to IFRS 9 in the case of the hedging of interest rate exposure, derivative financial instruments are accounted for in accordance with the procedures established for hedge accounting only when:

- the hedging instrument is formally designated and documented at the start of hedging;
- the hedge is expected to be highly effective;
- such efficacy can be reliably measured;
- the hedge is highly effective during the various accounting periods for which it is designated.

It should be noted that the derivative instruments currently in place (IRS - Interest Rate Swaps), although subscribed for hedging purposes with regard to changes in interest rates, have been treated, for accounting purposes and consistently with the past, as non-hedging instruments (and therefore the relative fair value is recognised in the income statement), as it is very complex to prepare the mandatory hedging relationship.

## MEASUREMENT OF THE FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value measurement of the financial instruments is undertaken applying IFRS 13 “Fair value measurement” (IFRS 13). Fair value concerns the price that will be received for the sale of an asset or which will be paid for the transfer of a liability in an ordinary transaction settled between market operators, at the measurement date.

Fair value measurement is based on the assumption that the sale of the asset or transfer of the liability is undertaken on the principal market, or rather the market in which the largest volume and levels of transaction take place for the asset or liability. In the absence of a principal market, it is assumed that the transaction takes place on the most advantageous market to which the company has access, or rather the market which would maximise the results of the sales transaction of the asset or minimise the amount to be paid for the transfer of the liability.

The fair value of an asset or of a liability is determined considering the assumptions which the market participants would use to define the price of the asset or of the liability, under the presumption that they act in accordance with their best economic interests. Market participants are independent knowledgeable acquirers or sellers able to enter into a transaction for the asset or the liability and motivated but not obliged or coerced into making the transaction.

In the fair value measurement, the company takes into account the specific characteristics of the asset or the liability, in particular, for the non-financial assets, the capacity of a market operator to generate economic benefits utilising the asset to its maximum and best use or by selling to another market operator that would utilise the asset to its maximum or best use. The fair value measurement of assets and liabilities utilises appropriate techniques for the circumstances and for which sufficient data is available, maximising the use of observable inputs.

IFRS 13 identifies the following fair value hierarchy which reflect the importance of the inputs used in the relative measurement:

- level 1 Quoted Price (active market): data used in valuations are represented by prices quoted on markets in which identical assets and liabilities are traded with those being valued;
- level 2 Use of Observable Market Parameters (for example, for derivatives, the exchange rates recorded by the Bank of Italy, market interest rate curves, volatility provided by qualified providers, credit spreads calculated on the basis of CDS', etc.) other than level 1 quoted prices;
- level 3 Use of Non-Observable Market Parameters (internal assumptions, for example, financial flows, risk-adjusted spreads, etc.).

## WARRANTS

The company has issued warrants, that is, financial instruments that give the holder the right to purchase (call warrants) a determined quantity of ordinary shares (underlying) at a predefined price (strike-price) within a set deadline. Two types of warrants are issued: "Market Warrants" which were also listed, and non-listed "Sponsor Warrants". Listed "Market warrants" were cancelled in the year as having expired.

These financial instruments can have different terms and characteristics and, on the basis of these, can be alternatively considered as: (i) a financial liability that must therefore be measured at fair value at the time of issue and any subsequent variation recorded directly in the income statement, or as (ii) an equity instrument and therefore classified in a specific equity reserve from which they will be released only at the time they are exercised or on their maturity as indicated by IAS 32.

Warrants issued by the company have the characteristics to be considered as equity instruments since both instruments contain a pre-set execution value (defined as the "fixed for fixed criteria").

Specifically for the Sponsor warrants, an exchange between equity instruments and cash at an already pre-determined value is provided in case of execution. Information on these instruments is available in the paragraph on shareholders' equity.

## PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges relate to costs and charges of a defined nature and of certain or probable existence whose amount or date of occurrence are uncertain at the reporting date. Accruals to provisions are recorded when:

- the existence of a present obligation, legal or implicit, deriving from a past event is probable;
- it is probable that compliance with the obligation will result in a charge;
- the amount of the obligation can be estimated reliably.

Provisions are recorded at the value representing the best estimate of the amount that the entity would reasonably pay to discharge the obligation or to transfer it to a third party at the reporting date. When the financial effect of the passing of time is significant and the payment dates of the obligations can be reliably estimated, the provision is determined by discounting the expected cash flows taking into account the risks associated with the obligation; the increase of the provision due to the passing of time is recorded in the income statement in the account "Financial charges".

The provisions are periodically updated to reflect the changes in the estimate of the costs, of the time period and of the discounting rate; the revision of estimates is recorded in the same income statement accounts in which the provision was recorded.

## REVENUES AND COSTS

Revenues from the sale of goods and services as well as the purchase costs of goods and services are recognised on the transfer of the risks and rewards connected to the ownership or completion of the service.

Revenues are shown net of discounts, allowances and returns; they are recorded at fair value to the extent in which it is possible to reliably determine such value and the likelihood that the relative economic benefits will be enjoyed.

Revenues are recognised in accordance with IFRS 15 and therefore as per the following 5 steps:

- 1) identification of the contract with the customer. The standard contains specific provisions to assess whether two or more contracts should be combined and to identify the accounting implications of any contractual amendments;
- 2) identification of the contractual obligations contained in the contract;
- 3) calculation of the transaction price, which should be made taking into consideration, among others, the following elements: any amounts paid on behalf of third parties, which must be excluded from the consideration, variable price components (such as performance bonuses, penalties, discounts, reimbursements, incentives, etc. ...) and any financial component, present where the payment terms granted to the customer contain a significant extension period;
- 4) allocation of the transaction price to the contractual obligations, on the basis of the stand-alone sales price of each good or service separately;
- 5) recognition of the revenue, when (or if) each contractual obligation is satisfied through the transfer of the goods or service, which occurs when the customer obtains the control and therefore has the capacity to decide upon and/or control its use and substantially obtain all the benefits. Control may be transferred at a specific point in time or over time.

The analysis undertaken indicated that the obligations arising for the Parent Company to its clients mainly concern the production and supply of finished products according to the terms and conditions requested, and in particular:

- payment deadlines are on average between in line with generally applied market averages. “Cash discounts” are contractually granted in the case of early settlement and were recognised as a direct reduction in revenues. No payment deferrals are granted which could be considered as qualifying as a loan;
- the finished product is sold without the granting of warranty periods and/or without return and/or suspension of ownership clauses. Any returns and reimbursements are agreed among the parties on a case by case basis following critical analysis of the reasons which may have resulted in any non-compliance issues.

It is therefore considered that:

- (i) the moment of transfer of control to clients of their products coincides with the transfer of the associated risks and benefits, as contractually defined by the delivery terms applied and which are in line with those generally accepted within the sector;
- (ii) the consideration does not include any financial component, with the exception of the cash discounts which are recognised as a reduction in revenues, while the component of the transport service and insurance (applicable only with specific delivery terms) is however completed in the same period as the transfer of control of the goods and therefore accrues to the same period;
- (iii) no contractual obligations are in place which suspend the transfer of control of the goods and therefore only the returns/reimbursements that may be agreed (concerning the goods sold in the year) may be recognised as a reduction of the relative revenues.

## FINANCIAL INCOME AND CHARGES

Financial income and charges are recognized in the income statement in the period in which they are earned or incurred according to IFRS 9.

## DIVIDENDS

Dividends received are recognised when (i) shareholders become entitled to receive the payment, which coincides with the date of the investee company’s shareholders’ meeting approving distribution, (ii) it is probable that the economic benefits associated with the dividend will flow to the entity and (iii) the amount of the dividend can be measured reliably.

The distribution of dividends to Aquafil S.p.A.’s shareholders is represented as a movement of shareholders’ equity and recorded as a liability in the financial year in which this distribution is approved by the Shareholders’ Meeting.

## INCOME TAXES

Current taxes are determined on the basis of estimated taxable income, in compliance with tax regulations applicable to companies and are recorded in the income statement under the item “Income taxes for the year”, with the exception of those relating to items directly debited or credited to a shareholders’ equity reserve; in such cases, the relative tax effect is directly recognised in the respective shareholders’ equity reserves. The income statement shows the amount of income taxes for each item included in the “other components of the consolidated comprehensive income statement”.

Deferred tax assets and liabilities are calculated in accordance with the balance sheet liability method. Deferred taxes are calculated on temporary differences between the values recorded in the financial statements and the corresponding values recognised for tax purposes. The deferred tax assets, including those relating to any tax losses carried forward, are recognised only for those amounts for which it is probable there will be future assessable income to recover the amounts. Tax assets and liabilities are offset, separately for current taxes and for deferred taxes, when the income tax is applied by the same fiscal authority, there is a legal right of compensation and the payment of the net balance is expected. Deferred tax assets and liabilities are calculated utilising the tax rates which are expected to be applied in the years when the temporary differences will be realised or settled, taking into account current tax regulations or substantially in force at the reporting date. Other taxes not related to income, such as indirect taxes and duties are included under “Other operating costs and charges”.

From the year 2018 Aquafil S.p.A. was included in the tax consolidation regime with the parent company Aquafin Holding S.p.A., interrupted in 2017 due to the merger by incorporation of Aquafil S.p.A. into Space 3 S.p.A.. The tax consolidation regime is also confirmed for the year 2022.

In addition, it should be noted that Article 12 of Legislative Decree No. 142 of 29/11/2018 defined the concept of “non-financial holding companies” (“Industrial Holdings”), for which, “the prevalent exercise of acquiring investments in parties other than financial intermediaries exists when, based on the figures of the last approved year-end financial statements, the total amount of investments in these parties and other equity elements undertaken between them, considered as a whole, is higher than 50 per cent of the total assets on the balance sheet”, with effect from the year 2018.

Due to this amendment by Legislative Decree 142/2018, therefore, as of the year 2018, previously excluded companies fall under “Industrial Holding” and particularly those which have holdings but whose financial income predominantly comprises revenues from industrial activity.

The company which qualifies as an “Industrial Holding” must calculate the Irap taxable base in accordance with Article 6, paragraph 9 of the Irap Decree, that is, by adding to the normally determinable taxable base, 100% of the interest income and other financial income and subtracting 96% of the interest expense and similar charges; in addition, the increased rate envisaged for banks and other financial institutions must be applied to the value of production relevant for IRAP purposes. It should be noted that also for 2022, the IRAP rate for the industrial holding companies in the province of Trento, applicable to non-financial holding companies and similar entities pursuant to paragraph 9 of Article 6 of Legislative Decree No. 446/97 is 4.65%, and the benefits normally granted to industrial companies are not applied.

## ASSETS AND LIABILITIES AVAILABLE FOR SALE AND DISCONTINUED OPERATIONS

Non-current assets and current assets and non-current assets of discontinued operations are classified as held-for-sale where their book value will principally be recovered through sale. This condition exists when the sale is highly probable and the asset or discontinued operation is available for an immediate sale in its current conditions. Non-current assets held-for-sale, current assets and non-current assets of discontinued operations and the liabilities directly related to them are recorded separately to company assets and liabilities in the balance sheet.

Non-current assets held-for-sale are not depreciated and are valued at the lower of the subscription value and their fair value, less selling costs.

Any difference between the book value and the Fair Value less selling costs is recorded in the income statement as a write-down; any subsequent recoveries in value are recognised for the amount of the write-downs previously recorded, including those recognised before the definition of the asset as held-for-sale.

Non-current assets and current and non-current assets of disposal groups classified as held-for-sale constitute discontinued operations if, alternatively:

- they represent a significant autonomous branch of activity or a significant geographical area of activity; or
- is part of a disposal programme of an important independent activity or geographical area of activity;
- are a subsidiary acquired exclusively for the purpose of sale.

The results of discontinued operations, as well as any capital gain/loss realised following disposal, are shown separately in the income statement under a specific account, net of the related tax effects; the income statement values of discontinued operations are also presented for the comparative years.

If there is a plan to sell a subsidiary that results in the loss of control, all the assets and liabilities of that subsidiary are classified as held-for-sale.

At December 31, 2022, Aquafil SpA did not have any assets or liabilities held for sale or discontinued operations.

## USE OF ACCOUNTING ESTIMATES

The preparation of the financial statements requires the directors to apply accounting principles and methods that, in some circumstances, are founded on difficult and subjective valuations and estimates, based on historical experience and assumptions which are from time to time considered reasonable and realistic under the relative circumstances. The application of these estimates and assumptions impact upon the amounts reported in the financial statements, the balance sheet, the income statement, the comprehensive income statement, the cash flow statement, the statement of changes to shareholders' equity and the notes to the accounts. The final outcome of the accounts in the financial statements which use the above-mentioned estimates and assumptions may differ, even significantly from those reported in the financial statements due to the uncertainty which characterises the assumptions and the conditions upon which the estimates are based.

Numerous items in the financial statements are subject to estimates and while not all of these accounts are individually significant, they are significant on an overall basis.

The accounting policies which require greater subjectivity by the directors in the preparation of the estimates and for which a change in the underlying conditions or the assumptions may have a significant impact on the financial results of the Company are briefly described below.

## Impairments

The tangible and intangible assets with definite useful lives are verified to ascertain if there has been a loss in value, which is recorded by means of a write-down, when it is considered there will be difficulties in the recovery of the relative net book value through use. The verification of such difficulties requires the directors to make valuations based on the information available within the company and on the market, as well as from historical experience. In addition, when it is determined that there may be a potential reduction in value, the company determines this through using the most appropriate technical valuation methods available. The correct identification of the indicators of a potential reduction in value of tangible and intangible assets, as well as the estimates for their determination depends on factors which may vary over time, impacting upon the valuations and estimates made by the directors.

## Amortisation & Depreciation

The cost of property, plant and equipment and intangible assets is depreciated or amortised on a straight-line basis over the estimated useful life of the asset. The useful life of these assets is determined by the directors when the assets are purchased. This is based on the historical experience for similar assets, market conditions and considerations relating to future events which could have an impact on the useful life, such as changes in technology. Therefore, the effective useful life may differ from the estimated useful life.



## Inventories

Inventories of products which are obsolescence or slow moving are periodically subject to valuation tests and written down when the recoverable value is lower than the carrying amount. The write-downs are made based on assumptions and estimates of management deriving from experience and historic results.

## Doubtful debt provision

the recoverability of receivables is valued taking account of the non-payment risk, of aging of receivables and of the losses recorded in the past on similar receivables.

## Provisions for risks and charges

Provisions for risks and charges are recorded to cover known or likely losses or liabilities, the timing and extent of which are not known with certainty at the reporting date.

They are recorded only where a present obligation exists (legal or implicit) for a future payment resulting from past events and it is probable that the obligation will be settled. This amount represents the best estimate of the costs required to settle the obligation. The rate used in the determination of the present value of the liability reflects the current market values and the specific risk associated to each liability.

If the financial effect of the period is significant and the payment dates of the obligations can be reliably estimated, the provisions are valued at the present value of the expected payment, utilising a rate which reflects market conditions, the change in the cost of money in the period and the specific risk related to the obligation. The increase in the value of the provision from changes in the cost of money in the period is recognised as a financial charges.

Possible risks that may result in a liability are disclosed in the notes on potential liabilities without any provision.

## Deferred tax assets

Deferred tax assets are recognized with respect to deductible temporary differences between the values of assets and liabilities expressed in the financial statements compared to the corresponding tax value and tax losses that can be carried forward, to the extent that the existence of adequate future taxable profit is likely, with respect to which these losses may be used. A discretionary assessment is required of the directors to determine the amount of deferred tax assets that can be accounted for, which depends on the estimate of probable timing and the amount of future taxable profits.

## 2.4 Accounting standards not yet applicable

The developments in the IFRS and the relative interpretations (IFRIC) applicable from periods subsequent to December 31, 2022 are outlined below.

Document title	Issue date	Effective entry date	Date approved	EU Regulation and publication date
IFRS 17 - Insurance contracts (in-cluding amendments published in June 2020)	May 2017 June 2020	January 1, 2023	November 19, 2021	(EC) 2021/2036 November 23, 2021
Definition of accounting estimates (Amendments to IAS 8)	February 2021	January 1, 2023	March 2, 2022	(EU) 2022/357 March 3, 2022
Information on accounting stand-ards (Amendments to IAS 1) (1)	February 2021	January 1, 2023	March 2, 2022	(EU) 2022/357 March 3, 2022
Deferred taxes related to assets and liabilities arising from a single transaction (Amendments to IAS 12)	May 2021	January 1, 2023	August 11, 2022	(EU) 2022/1392 August 12, 2022
First-time application of IFRS 17 and IFRS 9 – Comparative information (Amendments to IFRS 17)	December 2021	January 1, 2023	September 8, 2022	(EU) 2022/1491 September 9, 2022

(1) The document published by the IASB includes amendments to 'IFRS Practice Statements 2 - Making Materiality Judgements' which was not subject to EU endorsement as it is not an accounting standard or interpretation.

At the reporting date, the European Union had not yet completed its endorsement process for the adoption of the following standards and amendments:

January 1, 2024	Issue date by IASB	Effective entry date of the IASB document	Expected endorsement date by EU
<b>Standards</b>			
IFRS 14 Regulatory Deferral Accounts	January 2014	January 1, 2016	The approval process suspended pending the new accounting standard on "rate-regulated activities"
<b>Amendments</b>			
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	September 2014	Deferred until the completion of the IASB project on the equity method	Endorsement process suspended pending the conclusion of the IASB project on the equity method
Classification of liabilities as current or non-current (Amendments to IAS 1) and Non-current liabilities with covenants (Amendments to IAS 1)	January 2020 July 2020 October 2022	January 1, 2024	TBD
Lease liability in a sale and leaseback (Amendments to IFRS 16)	September 2022	January 1, 2024	TBD

### 3. FINANCIAL RISK MANAGEMENT

The principal business risks identified, monitored and, as illustrated below, actively managed by the Company are as follows:

- market risk, deriving from fluctuations in exchange rates between the euro and the other currencies in which the Company operates, the interest rate and raw material prices;
- credit risk, deriving from the possibility of default by a counterparty;
- liquidity risk, deriving from insufficient financial resources to meet financial commitments.

The Company's objective is to maintain a balanced management of its financial exposure over time to ensure a liability structure that is in equilibrium with the composition of assets and capable of ensuring the necessary operational flexibility through the use of liquidity generated by current operating activities and recourse to bank financing.

The ability to generate liquidity from ordinary operations and debt capacity allow the Company to adequately meet its operational requirements, the financing of operating working capital and investment capital, and to meet its financial obligations.

The Company's financial policy and management of the relative financial risks are guided and monitored at central level. In particular, the central finance function is tasked with evaluating and approving forecast financial needs, monitoring the trend and, where necessary, implementing suitable corrective actions.

The following section provides qualitative and quantitative information on the impact of these risks on the company.

#### 3.1 Market risk

##### *Currency risk*

Exposure to the risk of exchange rate variations arises from the Company's commercial activities which are also carried out in currencies other than the euro. Revenues and costs denominated in foreign currencies may be influenced by exchange rate fluctuations with an impact on trade margins (economic risk), just as trade and financial payables and receivables denominated in foreign currency may be affected by the conversion rates used, with an effect on the economic result (transaction risk).

The principal exchange rates the Company is exposed to are:

- EUR/USD, in relation to transactions carried out in US Dollars;
- EUR/GBP, in relation to transactions carried out in UK sterling.

The Company does not adopt specific policies to hedge exchange rate fluctuations, with the exception of contracts occasionally entered into due to the contingent requirements of its commercial activities. It should be noted that there is periodic massive offsetting between the values of purchase components in foreign currencies, mainly US dollars, and the values of sales in the same currency,

which significantly mitigates the currency risk. The company is however exposed to a contained level of exchange rate risk stemming from operations as a portion of cash flows, sales and also purchases are denominated in the same currency (natural hedging).

### Analysis of sensitivity of exchange rate risk

For the purposes of an exchange rate sensitivity analysis, balance sheet items as at December 31, 2022 (financial assets and liabilities), denominated in a currency other than the functional currency of the Company were identified. In assessing the potential effects arising from changes in exchange rates, inter-company payables and receivables in currencies other than the account currency were also taken into consideration.

Two scenarios were considered for the purposes of the analysis which respectively reflect a 10% appreciation and depreciation of the nominal exchange rate between the currency in which the balance sheet item is denominated and the accounting currency.

The table below highlights the results of the analysis:

(in Euro thousands)	Book value	Exposition to currency risk	+10% Gains/(Losses)	-10% Gains/(Losses)
<b>Financial assets</b>				
Cash and cash equivalents	52,713	7,473	(747)	747
Trade receivables (net credit notes)	115,825	23,091	(2,309)	2,309
<i>of which related parties</i>	115,597	24,840	(2,484)	2,484
Tax effect			734	(734)
<b>Total financial assets</b>			<b>(2,323)</b>	<b>2,323</b>
<b>Financial liabilities</b>				
Trade payables	(146,840)	(16,224)	1,622	(1,622)
<i>of which related parties</i>	(70,824)	(12,823)	1,282	(1,282)
Tax effect			(389)	389
<b>Total financial liabilities</b>			<b>1,233</b>	<b>(1,233)</b>
<b>Total</b>			<b>(1,090)</b>	<b>1,090</b>

Note: the plus sign indicates a higher profit and an increase in shareholders' equity; the minus sign indicates a lower profit and a decrease in shareholders' equity.

### Interest rate risk

The Company uses external funding and utilises on-demand liquidity from market instruments. Changes in the interest rates impact on the cost and return of the various forms of loans and uses, with an effect therefore on the financial charges. The Company policy seeks to limit interest rate fluctuation risk through undertaking fixed or variable rate medium/long-term loans; hedging is carried out through the trading of derivative instruments (e.g. IRS - Interest Rate Swaps), utilised only for hedging purposes and not for speculative purposes. These contracts, although subscribed for hedging purposes relating to the financial exposure of the Company, were not treated as hedges for accounting purposes, given the technical complexity of the accounting demonstration of the hedging relationship and the relative effectiveness, and therefore with end-of-period Mark to Market (MTM) adjustment effects recognised directly in the income statement.

The following tables summarise the main information concerning hedging derivatives on interest rates as at December 31, 2022:

(in Euro thousands)	Contract opening date	Contract maturity date	Notional value at signing date in foreign currency	Notional currency	Fair value at December 31, 2022
IRS Intesa San Paolo	28/12/2021	31/12/2027	30,000	Euro	2,514
IRS Credit Agricole	29/05/2017	28/06/2024	10,000	Euro	68
IRS Intesa San Paolo	19/06/2018	31/01/2024	15,000	Euro	77
IRS Banca Popolare Milano	20/06/2018	30/06/2025	25,000	Euro	434
IRS Banca Popolare Milano	06/06/2019	30/06/2025	15,000	Euro	322
IRS Credit Agricole	09/08/2019	28/12/2025	10,000	Euro	323
IRS Intesa San Paolo	25/09/2019	31/12/2024	20,000	Euro	325
<b>Total</b>			<b>125,000</b>		<b>4,063</b>

### Sensitivity analysis related to interest rate risk

With reference to interest rate risk, a sensitivity analysis was carried out to determine the effect on the income statement and shareholders' equity resulting from a hypothetical positive and negative change of 100 bps in interest rates compared to those actually recorded in each period.

The analysis was carried out by primarily focusing on the following items:

- cash and cash equivalents;
- short and medium/long-term financial liabilities.

With reference to cash and cash equivalents, reference was made to the average funds held and the average rate of return for the period. For short and medium/long-term financial liabilities, the impact was calculated on an actual basis. Financial payables settled at a fixed rate and those hedged through derivative instruments were not included in this analysis.

The table below highlights the results of the analysis:

(in Euro thousands)	Impact on Net Profit		Effect on Net Equity	
Change	+ 100 bps	- 100 bps	+ 100 bps	- 100 bps
FY 2022	(626)	626	(626)	626

Note: the plus sign indicates a higher profit and an increase in shareholders' equity; the minus sign indicates a lower profit and a decrease in shareholders' equity.

### Raw material price risk

The Company's production costs are influenced by the price trends of the main raw materials used. The price of these materials varies depending on a wide range of factors, to a large extent uncontrollable by the company and difficult to predict.

Specifically, the company implements a strategy to offset the price volatility risk of the commodities used through contractual hedging which are limited to price changes for raw materials, energy sources and partly, selling prices.

## 3.2 Credit risk

The Company's exposure to credit risk relates to the possibility of insolvency (default) and/or in the deterioration of the credit rating of a counterparty and is managed through adequate valuation instruments of all counterparties by a dedicated department, utilising the appropriate instruments to carry out constant monitoring, on a daily basis, of the behaviour and credit rating of clients.

The company hedges its credit risk through insurance policies on the client exposure, undertaken with primary debt insurance companies. External companies providing corporate information are utilised both to initially evaluate the reliability and for on-going monitoring of the economic and financial situation of clients.

The following table provides a breakdown of trade receivables from third parties at December 31, 2022, grouped by due date and net of the doubtful debt provision:

(in Euro thousands)	At December 31, 2022	Not yet due	Overdue within 30 days	Overdue between 31 and 90 days	Overdue between 91 and 120 days	Overdue beyond 120 days
Guaranteed trade receivables (A)	4,509	2,441	796	935	43	294
Credit notes to customers	(3,686)	(3,686)				
Non-guaranteed trade receivables (B)	443	56	75	111	35	166
Non-guaranteed trade receivables impaired (C)	199					199
<b>Trade receivables before doubtful debt provision (A + B + C)</b>	<b>1,466</b>	<b>(1,189)</b>	<b>871</b>	<b>1,046</b>	<b>78</b>	<b>660</b>
Doubtful debt provision	(1,210)	0	(466)	(547)	(25)	(172)
<b>Trade receivables</b>	<b>256</b>	<b>(1,189)</b>	<b>405</b>	<b>499</b>	<b>53</b>	<b>488</b>

### 3.3 Liquidity risk

Liquidity risk relates to the risk of the company being unable to meet its payment obligations due to the inability to source new funds or liquidate assets on the market. This results in a negative impact on economic performance if it is obliged to incur additional costs to meet its commitments or insolvency.

The liquidity risk to which the company is exposed relates to the inability to source sufficient funding for operations, in addition to industrial and commercial operations. The principal factors which determine the liquidity situation are, on the one hand, the resources generated and absorbed by the operating and investment activities and on the other the maturity dates and the renewal of the payable or liquidity of the financial commitments and also market conditions.

The company can avail of on-demand liquidity and has a significant availability of credit lines granted by a number of leading Italian and international banks. The company considers that the funds and credit lines currently available, in addition to those that will be generated from operating and financial activities, will permit the satisfaction of its requirements deriving from investment activities, working capital management and the repayment of debt in accordance with their maturities.

The table below shows an analysis of amounts due, based on contractual repayment obligations, relating to financial liabilities, trade payables and other current and non-current liabilities as at December 31, 2022:

(in Euro thousands)	December 31, 2022	Within 1 year	Between 1 and 5 years	Beyond 5 years
Bond loan	83,409	13,108	51,729	18,571
Other current and non-current financial liabilities	261,814	61,203	193,837	6,774
Liabilities for intercompany RoU	3,003	814	2,189	0
Loans from subsidiaries	8,438	0	8,438	0
Trade payables	76,016	76,016	0	0
Intercompany trade payables	70,824	70,824	0	0
Other current and non-current liabilities	19,006	12,974	6,033	0
Other current and non-current intercompany liabilities	2,830	2,830	0	0

All the amounts in the table above refer to the nominal amounts not discounted, stated with regards to the residual contractual maturities, both in terms of the capital and interest portions. The company expects to meet these commitments through cash flows generated from operating activities and where necessary, through medium-term financing operations.

In this risk analysis, we add the more detailed conclusions of the Directors' Report on the impact of the spread of COVID-19 (coronavirus) and the conflict between Russia and Ukraine. In particular, it can be stated that - overall and in view of the information currently available and the health emergency in progress - no impact and/or effect is seen (i) on the value of the assets shown in the financial statements (ii) on the recoverability of trade receivables (iii) on the net realisable value of inventories. As mentioned previously, the impact on the business thus far has remained, on the whole, limited. Therefore, no specific risks have been identified in terms of the ability of the Group and of Aquafil S.p.A. to meet its future commitments (including compliance with the "covenants" set out in certain loan agreements) and/or which may impact the Group's ability to continue as a going concern.

With regards to the conflict between Russia and Ukraine, it is confirmed that this situation does not have direct impacts on the company, as currently not having (i) any investment in either of the countries, nor (ii) financial instruments or liquidity in Rubles.

### 3.4 Climate change risks

The Company and the Aquafil Group is passionate about its environmental, social and governance policies and plays an active role in the community.

The Group's organisational structure for many years has considered the environmental impact of its processes and products and continuously assesses possible improvement actions, with an approach firmly focused on sustainability and circularity.

This structure particularly considers the consequences for its activities, processes and local organisations from climate change, whose risk is consistently monitored and assessed. It may be stated that no significant impacts are currently expected on the operating activities carried out in the various regions in which the Company and Group operates.

## 4. MANAGEMENT OF CAPITAL

The Company's capital management is aimed at ensuring a solid credit rating and adequate levels of capital indicators to support investment plans, in accordance with contractual obligations entered into with lenders.

The Company acquires the necessary capital to finance the needs for business development and operations; financing sources are divided into a balanced mix of risk capital and debt capital to ensure a balanced financial structure and the minimisation of the total cost of capital, for the consequent benefit of all stakeholders.

The remuneration of risk capital is monitored on the basis of the market trend and business performance, once all other obligations have been met, including the debt service; therefore, in order to ensure an adequate remuneration of capital, the safeguarding of business continuity and business development, the Company constantly monitors the development of the debt level in relation to shareholders' equity, business performance and forecasts of expected cash flows in the short and medium/long-term.

## 5. CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

The tables below illustrate the breakdown of financial assets and liabilities of the company required by IFRS 7, as per the categories identified by IAS 39, at December 31, 2022:

	Financial assets and liabilities measured at fair value through P&L	Loans and receivables	AFS financial assets	Financial liabilities at amortised cost	Total
Current and non-current financial assets	4,063				4,063
Current and non-current intercompany financial assets	0				0
Equity investments in group companies		307,915	0		307,915
Investments in other companies		14			14
Financial receivables from third parties		102			102
Current and non-current financial receivables from group companies		41,034			41,034
Other current financial assets		0			0
Trade receivables – third parties		227			227
Trade receivables from group companies		115,597			115,597
Non-current tax receivables		2			2
Other current and non-current receivables and assets		7,418			7,418
Other intercompany current and non-current receivables and assets		0			0
Intercompany tax receivables		247			247
Cash and cash equivalents	52,713	0			52,713
<b>Total</b>	<b>56,775</b>	<b>472,556</b>	<b>0</b>	<b>0</b>	<b>529,332</b>
Current and non-current financial liabilities	0			345,223	345,223
Current and non-current intercompany RoU payables				3,003	3,003
Current and non-current intercompany financial liabilities				8,438	8,438
Trade payables				76,016	76,016
Intercompany trade payables				70,824	70,824
Other current and non-current liabilities				19,006	19,006
Other current and non-current intercompany liabilities				2,830	2,830
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>525,340</b>	<b>525,340</b>

The other financial assets and liabilities are short-term and regulated at market interest rates and therefore the book value is considered to reasonably approximate fair value.

## 5.1 Measurement of the fair value

In relation to financial instruments measured at fair value, the table below reports information on the method chosen to measure the fair value. The methods applied are broken down into the following levels, based on the information available, as follows:

- Level 1: fair value determined with reference to listed prices (not adjusted), on active markets for identical financial instruments;
- Level 2: fair value determined with valuation techniques with reference to observable variables on active markets;
- Level 3: fair value determined with valuation techniques with reference to non-observable variables on markets;

The fair value calculation is determined in accordance with the methods classified in Level 2 and the general criterion utilised for this calculation is the present value of the expected future cash flows of the instrument subject to measurement - a method commonly applied in financial practice. There were no transfers between hierarchical levels of the fair value in the periods considered.

The table below summarises the assets and liabilities measured at fair value at December 31, 2022, on the basis of the level which reflects the inputs utilised in the determination of the fair value.

(in Euro thousands)	December 2022	December 2021
Derivative financial instruments – Assets	4,063	25
Derivative financial instruments – Liabilities	0	(468)
<b>Total</b>	<b>4,063</b>	<b>(443)</b>

## 6. DISCLOSURE BY OPERATING SEGMENT

For the purposes of IFRS 8 – Operating Segments, company activity is identifiable in a single operating segment.

In fact, the Company structure identifies a strategic and singular vision of the business and this representation is consistent with the manner in which management takes its decisions, allocates resources and defines the communication strategy. Dividing the business into separate divisions is therefore currently viewed as detrimental to its economic interests.



## 7. NOTES TO THE BALANCE SHEET

### 7.1 Intangible assets

The breakdown in the account and changes in the period were as follows:

(in Euro thousands)	Patents & property rights - Know-how	Trademarks, concessions, licenses and similar	Other intangible assets	Intangible assets in progress	Total
<b>Balance at December 31, 2020</b>	<b>0</b>	<b>97</b>	<b>2,818</b>	<b>12,422</b>	<b>15,338</b>
<i>Historic cost</i>	203	4,376	15,382	12,422	<b>32,383</b>
<i>Acc. amort.</i>	(203)	(4,279)	(12,564)		<b>(17,046)</b>
Increase			979	1,429	<b>2,407</b>
Reclassifications			1,906	(1,906)	<b>0</b>
Write-downs				(1,650)	<b>(1,650)</b>
Decrease			(14)	0	<b>(14)</b>
Amortization		(21)	(1,790)		<b>(1,811)</b>
<b>Balance at December 31, 2021</b>	<b>0</b>	<b>76</b>	<b>3,899</b>	<b>10,295</b>	<b>14,270</b>
<i>Historic cost</i>	203	4,376	18,230	10,295	<b>33,104</b>
<i>Acc. amort.</i>	(203)	(4,300)	(14,331)		<b>(18,834)</b>
Increase		56	1,137	991	<b>2,183</b>
Reclassifications		3	9,805	(9,798)	<b>9</b>
Write-downs				0	<b>0</b>
Decrease				(132)	<b>(132)</b>
Amortization		(40)	(3,584)		<b>(3,624)</b>
<b>Balance at December 31, 2022</b>	<b>0</b>	<b>95</b>	<b>11,256</b>	<b>1,355</b>	<b>12,705</b>
<i>Historic cost</i>	203	4,434	29,172	1,355	<b>35,164</b>
<i>Acc. amort.</i>	(203)	(4,339)	(17,916)		<b>(22,458)</b>

The increases in the year, overall amounting to Euro 2,183 thousand, principally relate to:

- for Euro 968 thousand to the Information and Communication Technology activities represented by the costs of developing specific software implementation projects;
- for Euro 315 thousand relating to the development of a bio-caprolactam production process;
- for Euro 620 thousand relating to the non-competition agreement with a previous manager.

Intangible assets in progress mainly include the Company's investments in the development of new products and processes, including the "Effective" project coordinated by Aquafil and funded by the Bio-Based Industries Joint Undertaking (BBI JU) as part of the European Horizon 2020 research programme and focused on the production of bio-caprolactam. Considering that the bio-caprolactam production process began at a pilot level, we report that in the first half of the year, the investments in the project of Euro 9,015 thousand were reclassified from assets in progress to other intangible assets, and consequently amortisation over a 5-year time period began (impact of Euro 1,821 thousand in the year).

## 7.2 Property, plant & equipment

The breakdown in the account and changes in the period were as follows:

(in Euro thousands)	Land and Buildings	Plant & Equipment	Equipment	Other assets	Assets in progress and advances	Total before RoU	Right-of-Use	Total
<b>Balance at December 31, 2020</b>	<b>13,689</b>	<b>17,342</b>	<b>188</b>	<b>69</b>	<b>2,781</b>	<b>34,070</b>	<b>4,329</b>	<b>38,398</b>
<i>Historic cost</i>	32,113	135,437	4,989	1,739	2,781	177,059	6,189	<b>183,248</b>
<i>Acc. deprec.</i>	(18,424)	(118,095)	(4,800)	(1,670)	0	(142,989)	(1,861)	<b>(144,850)</b>
Increase	8	1,376	61	26	3,537	5,008	1,885	<b>6,893</b>
Reclassifications	129	1,506	11	8	(1,653)	0		<b>0</b>
Write-downs						0		<b>0</b>
Decrease	0	(164)	0	0	(428)	(592)	(234)	<b>(826)</b>
Depreciation	(2,068)	(3,722)	(48)	(23)		(5,862)	(1,474)	<b>(7,337)</b>
<b>Balance at December 31, 2021</b>	<b>11,758</b>	<b>16,337</b>	<b>213</b>	<b>80</b>	<b>4,237</b>	<b>32,624</b>	<b>4,505</b>	<b>37,129</b>
<i>Historical cost</i>	32,250	137,880	5,028	1,762	4,237	181,156	7,117	<b>188,273</b>
<i>Acc. deprec.</i>	(20,492)	(121,543)	(4,815)	(1,682)	0	(148,532)	(2,612)	<b>(151,144)</b>
Increase	165	959	27	16	5,644	6,811	1,536	<b>8,347</b>
Reclassifications	1,477	1,451	6	15	(2,958)	(9)		<b>(9)</b>
Write-downs						0		<b>0</b>
Decrease		(181)	0	0	(263)	(444)	(313)	<b>(756)</b>
Depreciation	(1,892)	(3,640)	(52)	(24)		(5,609)	(1,478)	<b>(7,087)</b>
<b>Balance at December 31, 2022</b>	<b>11,508</b>	<b>14,925</b>	<b>194</b>	<b>86</b>	<b>6,660</b>	<b>33,374</b>	<b>4,250</b>	<b>37,624</b>
<i>Historical cost</i>	33,892	138,679	5,046	1,737	6,660	186,014	7,022	<b>193,036</b>
<i>Acc. deprec.</i>	(22,384)	(123,754)	(4,852)	(1,651)	0	(152,641)	(2,772)	<b>(155,412)</b>

The increases in the year, overall amounting to Euro 8,347 thousand, principally relate to:

- for Euro 1,536 thousand the application of IFRS 16, of which Euro 632 thousand concerning the renewal of the contract, for a duration of 6 years, for the lease of the building located in via del Garda – Rovereto;
- for approx. Euro 5,760 thousand the technological improvement and upgrading of existing plant and equipment (mainly in progress);
- for approx. Euro 1,450 thousand for projects to improve production and industrial efficiency.

The table below, in accordance with IFRS 16, presents the right-of-use of the non-current asset subject to the leasing contract. In particular this refers to buildings, equipment and transport and motor vehicles as illustrated in the table below:

(in Euro thousands)	Right-of-Use buildings	Right-of-Use equipment and transport vehicles	Right-of-Use motor vehicles	Total
<b>Balance at January 1, 2021</b>	<b>3,434</b>	<b>434</b>	<b>461</b>	<b>4,329</b>
<i>Historical cost</i>	4,538	978	673	<b>6,189</b>
<i>Acc. deprec.</i>	(1,104)	(544)	(213)	<b>(1,861)</b>
Increase	1,372	133	379	<b>1,885</b>
Decreases	(107)	(10)	(117)	<b>(235)</b>
Depreciation	(978)	(278)	(217)	<b>(1,474)</b>
Exchange rate differences				<b>0</b>
<b>Balance at December 31, 2021</b>	<b>3,721</b>	<b>279</b>	<b>505</b>	<b>4,505</b>
<i>Historical cost</i>	5,615	631	870	<b>7,117</b>
<i>Acc. deprec.</i>	(1,895)	(352)	(365)	<b>(2,612)</b>
Increases	915	361	260	<b>1,536</b>
Decreases	(75)	(210)	(28)	<b>(313)</b>
Depreciation	(988)	(244)	(246)	<b>(1,478)</b>
Exchange rate differences				<b>0</b>
<b>Balance at December 31, 2022</b>	<b>3,573</b>	<b>185</b>	<b>492</b>	<b>4,250</b>
<i>Historical cost</i>	5,741	330	951	<b>7,022</b>
<i>Acc. deprec.</i>	(2,167)	(146)	(459)	<b>(2,772)</b>

At December 31, 2022, the company did not identify any impairment indicators relating to property, plant and equipment.

### 7.3 Current and non-current financial assets

The breakdown of the account is shown below (including current and non-current):

(in Euro thousands)	December 2022	December 2021
Equity investments in group companies	307,915	307,865
Investments in other companies	14	14
Non-current financial receivables parent companies	234	234
Escrow bank deposits and guarantee deposits	102	112
Non-current financial receivables from associates	29	29
Non-current financial receivables from subsidiaries	39,821	3,550
Current financial receivables from subsidiaries	950	6,200
Derivative financial instruments	4,063	25
<b>Total</b>	<b>353,127</b>	<b>318,029</b>
<i>of which current</i>	<i>5,013</i>	<i>6,200</i>
<i>of which non-current</i>	<i>348,114</i>	<i>311,829</i>

The breakdown of investments in subsidiaries and associates is illustrated below:

Company	Registered office	Holding	Opening balance	Increases	Write-downs	Total
Tessilquattro S.p.A.	Arco (IT)	100.00%	22,545			22,545
Aquafil USA Inc.	Cartersville (USA)	100.00%	124,298			124,298
Aquafil SLO d.o.o.	Ljubljana (SLO)	100.00%	73,343			73,343
Aquafil Jiaxing Co. Ltd.	Jiaxing (CHN)	100.00%	53,523			53,523
Aquafil CRO d.o.o.	Oroslavje (CRO)	100.00%	11,730			11,730
Aquafil UK Ltd.	Ayrshire (UK)	100.00%	0			0
Aquafil Asia Pacific Co. Ltd.	Rayoung (THA)	99.99%	8,608			8,608
Aqualeuna GmbH	Leuna (GER)	100.00%	10,964			10,964
Aquafil Tekstil Sanayi Ve Ticaret A.S.	Istanbul (TUR)	99.99%	557			557
Aquafil Benelux France B.V.B.A.	Harelbake (BEL)	99.90%	99			99
Cenon S.r.o.	Zilina (SLO)	100.00%	0	1,695	(1,695)	0
Aquafil India Private Ltd.	New Dehli (IND)	99.97%	6			6
Aquafil Oceania	Melbourne (AUS)	100.00%	32			32
Aquafil Japan Corp.	Tokyo (JPN)	100.00%	1,142			1,142
Bluloop S.r.l. Società Benefit	Arco (IT)	100.00%	0	50		50
Nofir	Bodo (NO)	31.66%	1,018			1,018
<b>Total</b>			<b>307,865</b>	<b>1,745</b>	<b>(1,695)</b>	<b>307,915</b>

On June 22, Bluloop S.r.l. was incorporated as a benefit company, a wholly-owned subsidiary of Aquafil S.p.A., whose main corporate scope is to sell products made with ECONYL® polyamide to the end consumer on the e-commerce channels; the company also has communication, training and intervention objectives in the areas in which the Aquafil Group operates in terms of environmental and social sustainability issues;

The write-down recorded in the year derives from the application of the impairment test on the investees where there were indicators of loss in value as described in paragraph 12 of international accounting standard IAS 36.

The Slovak company Cenon S.r.o. (Slovakia) no longer carries out production activities, and on November 30, 2022, following Aquafil S.p.A.'s waiver of its loan receivable, it was recapitalised by Euro 1,695 thousand in order to have adequate financial resources to proceed with voluntary liquidation. Consequently, the investment was, for the same amount, fully written-down.

## INVESTMENTS IN OTHER COMPANIES

Investments in other companies mainly refer to the investment in Banca di Verona for Euro 11 thousand and the investment in the company Trentino Export S.c.a.r.l. for Euro 3 thousand.

## ESCROW BANK DEPOSITS AND GUARANTEE DEPOSITS

The escrow bank deposits and guarantee deposits refer to guarantees provided to suppliers for various services.

## FINANCIAL RECEIVABLES FROM SUBSIDIARIES, ASSOCIATES AND PARENT COMPANIES

The breakdown of current and non-current receivables parent companies, subsidiaries and associates is illustrated below:

(in Euro thousands)	December 2022	of which current	December 2021	of which current
AquafilSLO d.o.o.	35,200	0	6,200	6,200
Aqualeuna GmbH	950	950	3,550	0
Aquaspace S.p.A.	29		29	
Aquafin Holding S.p.A.	234		234	
Aquafil Japan	4,621		0	
Aquafil UK Ltd.	0		0	
Cenon	0	0	0	0
<b>Total</b>	<b>41,034</b>	<b>950</b>	<b>10,013</b>	<b>6,200</b>

### • Aquafil SLO d.o.o.

Receivables from the subsidiary consist of four loans:

- one granted in October 2015 for an original amount of Euro 14,000 thousand with maturity in December 2024, whose residual payable is Euro 1,000 thousand;
- a second granted in March 2018 for an original amount of Euro 8,000 thousand with maturity in December 2024, whose residual payable is Euro 4,200 thousand;
- a third granted in February 2022 for Euro 10,000 thousand with maturity in February 2025, whose residual payable is Euro 10,000 thousand;
- a final loan granted in August 2022 for Euro 20,000 thousand with maturity in July 2027, whose residual payable is Euro 20,000 thousand.

These loans were provided in order to support the subsidiary's production capacity expansion.

### • Aqualeuna GmbH

The receivable from the subsidiary was partially repaid in the year. The residual balance at December 31, 2022 was Euro 950 thousand.

### • Aquafil UK Ltd.

The receivable from the subsidiary, totalling Euro 2,819 thousand, includes a loan granted in June 2021 and one granted in December 2022.

Given the loss reported by the subsidiary, the financial receivable was completely written down.

### • Cenon S.r.o.

The receivable from the subsidiary, amounting to Euro 1,695 thousand, was cancelled during the year following the transfer of the full amount of the loan to equity. It is confirmed therefore that no loan receivables from the subsidiary exist at December 31, 2022.

### • Aquaspace

The receivable from other related parties relates to guarantee deposits of Euro 29 thousand paid by the Company over a multi-year lease for the property located in Via del Garda 40 - Rovereto.

- **Aquafin Holding**

The receivable from the parent company relates to the guarantee deposit of Euro 234 thousand paid by the Company over the multi-year lease for the property owned by Aquafin Holding located in San Martino Buon Albergo, Verona.

- **Aquafil Japan**

The loan to the subsidiary was provided during the year in order to support its development phase, as the company was established in 2021.

## DERIVATIVE FINANCIAL INSTRUMENTS

The fair value of derivative financial instruments (IRS) reports an increase of Euro 4 million substantially due to the change in the market interest rate curve. As previously illustrated, “hedge accounting” was not applied to these derivatives as, although entered into for hedging purposes, have been considered for accounting purposes and consistently with the past, as non-hedging instruments (and therefore the relative fair value is recognised in the income statement), as it is very complex to prepare the mandatory hedging relationship.

### 7.4 Other non-current assets

The account concerns, for Euro 304 thousand, the receivable from the EU for the “Effective” research project co-ordinated by Aquafil and funded by Bio-Based Industries Joint Undertaking (BBI JU) as part of the European Horizon 2020 research programme, with the entire chain (from raw material manufacturers to brands) involved in validating the use of bio Nylon 6 and other bio-polymer consumer market products; reference should be made also to the Directors’ Report for more details on the project.

In particular, with the signing of the agreement between the partners and other lenders, an overall amount of Euro 1.7 million was stipulated, with deferred income recognised under Other liabilities (Note 7.16) which was equal to Euro 897 thousand at December 31, 2022. The receivable is reduced for the amounts effectively paid by the European Union, substantially recognised on the basis of the convention rules which provides for payment based on the state of advancement. At December 31, 2022, the residual receivable amounted to Euro 304 thousand.

### 7.5 Deferred tax assets and liabilities

The breakdown of the items “Deferred tax assets” and “Deferred tax liabilities” is shown below:

(in Euro thousands)	December 2022	December 2021
Deferred tax assets	2,172	2,059
Deferred tax liabilities	(13)	(929)
<b>Total</b>	<b>2,159</b>	<b>1,130</b>

The relative movement is comprised of:

(in Euro thousands)	At January 1, 2022	Provisions / re-leases to net equity	Provisions / re-leases to income P&L	Provisions / Re-classifications	At December 31, 2022
<b>Deferred tax assets</b>					
Provision for risks and charges	133		72		205
Doubtful debt provision	194				194
Measurement of employee benefits as per IAS 19	61	(55)	(29)		(23)
Intangible and tangible fixed assets	584		(115)		470
Tax losses	1,025			(29)	996
Inventories					0
Other provisions	95		(22)		73
Application of the amortised cost method	0				0
Derivative financial instruments	0		0		0
ACE	0		0		0
Exchange rate differences	(33)		291		257
<b>Total deferred tax assets</b>	<b>2,059</b>	<b>(55)</b>	<b>197</b>	<b>(29)</b>	<b>2,172</b>
<b>Deferred tax liabilities</b>					
Financial liabilities					
<b>Intangible and tangible fixed assets</b>	<b>(929)</b>		<b>916</b>		<b>(13)</b>
Other					
<b>Total deferred tax liabilities</b>	<b>(929)</b>	<b>0</b>	<b>916</b>		<b>(13)</b>
<b>Total net deferred tax assets</b>	<b>1,130</b>	<b>(55)</b>	<b>1,113</b>	<b>(29)</b>	<b>2,159</b>
Tax result vs Parent company			(3,452)		
<b>Total deferred tax assets and liabilities recognised to the income statement</b>			<b>(2,339)</b>		

With regard to deferred tax assets:

- Deferred tax assets on the intangible and tangible fixed assets refer to the reversal of intangible fixed assets following the adoption of IAS accounting standards;
- deferred tax assets on tax losses of Euro 996 thousand refer to the mutual agreement procedure under Article 6 of the Convention for the elimination of double taxation in the case of the adjustment of profits of associated companies of July 23, 1990 No. 90/436/EEC - relating to the acceptance of the agreement by the competent financial administrations in Italy and Germany in relation to the tax year 2017.

The Company filed an evidential request concerning the non-application of the anti-evasion provisions of Article 10, paragraph 2 and paragraph 3, letters a) and c), of the new economic-development decree on the basis that amounts paid out by the Company, during the period 2011-2021, to non-resident companies of the Group and subject to the non-application request could not, directly or indirectly, be considered transfers to resident companies of the Group and, consequently, a duplication of the economic-development (ACE) benefit. On October 24, 2022, the Italian Tax Office issued a favourable opinion on the non-applicability of the anti-evasion provisions of Article 10, paragraph 2 and paragraph 3, letters a) and c), of the new "ACE" decree.

In relation to "Deferred tax liabilities", the account "Intangible and tangible fixed assets" refers for Euro 13 thousand to the reversal of intangible assets following the adoption of IAS accounting standards. The decrease of Euro 916 thousand refers to the accounting of leases according to the finance method required by IFRS 16. This amount was fully released following the leaseback of the leased property.

## 7.6 Inventories

The changes in the account were as follows:

(in Euro thousands)	December 2022	December 2021
Raw materials, ancillary and consumables	21,497	18,924
Inventories of work-in-progress and semi-finished products	0	0
Inventories of finished products and goods	43,907	34,721
Advances to suppliers	0	0
<b>Total</b>	<b>65,404</b>	<b>53,645</b>

Inventories are recorded net of the obsolescence provision amounting to Euro 255 thousand and relates to slow moving prior stock.

The significant increase is due to the higher prices for raw materials and industrial cost components and the increase in volumes in stock at year-end, particularly of raw materials.

## 7.7 Trade receivables

The changes in the account were as follows:

(in Euro thousands)	December 2022	December 2021
Trade receivables	1,438	6,221
Parent, associates and other related parties	115,597	79,120
Doubtful debt provision	(1,210)	(1,218)
<b>Total</b>	<b>115,825</b>	<b>84,123</b>

Increase in receivables is closely connected with the higher revenues, prices and the altered payment deadlines with the Group companies.

The following table shows the movement of the doubtful debt provision:

(in Euro thousands)	December 2022
<b>Balance at January 1, 2022</b>	<b>(1,218)</b>
Provisions net of releases	0
Utilisations	8
Other changes	0
<b>Balance at December 31, 2022</b>	<b>(1,210)</b>

The utilisation of the doubtful debt provision relates to the closure of certain receivables arising in previous years deemed uncollectible.

Reference should be made to the previous paragraph 3.2 for details on the credit risk management policy.



## RECEIVABLES FROM SUBSIDIARIES, PARENT AND RELATED PARTIES

The account includes current trade receivables as follows:

(in Euro thousands)	December 2022	December 2021
Aquafil Asia Pacific Co.	163	359
Aquafil Engineering GmbH	2	0
Aquafil UK Limited	1,233	706
AquafilSLO d.o.o.	57,740	31,728
Aqualeuna GmbH	303	239
Aquafil Carpet Recycling	7	78
Aquafil Carpet Rec.#2	4	0
Aquaspace S.p.A.	34	35
Tessilquattro	29,114	23,605
Aquafil USA Inc.	23,501	12,791
Aquafin Holding S.p.A.	305	0
Aquafil Textil Sanayi	1,003	958
Aquafil China	1,940	4,631
Aquafil O'mara	93	0
Aquafil Japan	33	3,990
Bluloop	121	0
<b>Total</b>	<b>115,597</b>	<b>79,120</b>

The increase in trade receivables from subsidiaries, parent companies and related parties was mainly due to the increase in the receivables from the subsidiaries Aquafil USA and Aquafil SLO, as a result of the Group's increased sales.

### 7.8 Income tax receivables

Current tax receivables refer to IRES (company income taxes) to be carried forward for Euro 3 thousand.

### 7.9 Other current assets

The changes in the account were as follows:

(in Euro thousands)	December 2022	December 2021
Tax receivables	4,339	625
Supplier advances	399	56
Pension and social security institutions	162	51
Employee receivables	272	284
Tax receivables from parent	247	3,152
Tax receivables subsidiaries	0	0
Other receivables	246	1,090
Prepayments and accrued income	1,697	1,454
<b>Total</b>	<b>7,361</b>	<b>6,713</b>

The following is specified in relation to the above items:

- "Tax receivables": principally refer to:
  - energy credits for Euro 2,677 thousand related to the contribution under Decree Law No. 4 of 27/01/2022 and subsequent, disbursed during the year for companies who qualify as energy and natural gas intensive businesses, with a total of Euro 6,306 thousand recognised, of which Euro 3,629 thousand already offset by the Company with other tax liabilities;
  - for Euro 923 thousand receivables for Value Added Tax (VAT), of which Euro 136 thousand for the recovery of VAT from insolvency procedures;
  - Euro 385 thousand in tax credits determined pursuant to Article 1, paragraph 35, of Law No. 190 of 23/12/2014 and subsequent amendments, and determined as follows: 1. for fundamental research, industrial research and experimental development in science and technology, the tax credit is recognised at 20% of the eligible expenses; 2. for technological innovation for the creation of new or substantially improved products or production processes, the tax credit is recognised at 10% of the eligible expenses; 3. the tax credit is recognised at 15% of the eligible expenses for technological innovation aimed at achieving an objective of digital innovation 4.0;

- “Supplier advances”: these refer mainly to Euro 400 thousand in advances for services yet to be provided;
- “Tax receivables from parents”: for Euro 247 thousand these refer to tax receivables from Aquafin Holding S.p.A. generated by the transfer of the tax losses of Tessilquattro S.p.A. to the tax consolidation, with Aquafin Holding S.p.A. as the consolidating entity, but through Aquafil S.p.A., which per the tax consolidation agreement remains responsible for netting in the calculation of tax receivables and payables relating to IRES (company income tax) as per Article 228 et seq. of the Income Tax Law. The sharp decrease stems from the increase in Aquafil S.p.A.’s current taxes, as a result of the profit reported for the year, which in the context of the tax consolidation reduces the receivable from the consolidated Aquafil Holding S.p.A.;
- “Other receivables”: the significant decrease is due for Euro 781 thousand to the collection of the receivable from the company Domo Chemicals Italy S.p.A. for the financial support provided within the fiscal dispute relating to the sale of shares of Domo Engineering Plastics S.p.A. on May 31, 2013. The balance refers for Euro 246 thousand to the European CISUFLO project within the scope of the Ecodesign activities: CircularSustainableFLOORcovering with 17 consortium members in which Aquafil participates as PA6 producer & recycler with the specific role of verifying in pilot and industrial tests the recyclability of the carpets developed with the new design criteria; the project kick-off meeting between all consortium members took place on June 16, 2021, for a total development of approx. 4 years;
- “Prepayments and accrued income”: these mainly refer to prepayments for insurance premiums for Euro 154 thousand, information and communication technology consultancy fees invoiced in advance of completion of service for Euro 369 thousand, prepayments for purchases of maintenance materials for Euro 207 thousand, photovoltaic grants for Euro 398 thousand, personnel training grants for Euro 124 thousand, and for Euro 200 thousand long-term costs concerning the supply agreement with Domo Engineering Plastics.

## 7.10 Cash and cash equivalents

The account is comprised of:

(in Euro thousands)	December 2022	December 2021
Cash and equivalents	10	9
Bank and postal deposits	52,702	79,689
<b>Total</b>	<b>52,713</b>	<b>79,698</b>

The account refers to the company’s current account balances.

The breakdown of cash and cash equivalents by currencies is illustrated in the table below:

(in Euro thousands)	December 2022
EUR	45,229
USD	6,535
GBP	2
JPY	936
<b>Total</b>	<b>52,702</b>

The Company has decreased available liquidity, which had significantly increased over the preceding two years, as a prudent measure in order to reduce liquidity risk so as to combat the potential impact of a continuation of the health crisis and the ongoing conflict.

For further details, reference should be made to the cash flow statement.

We highlight the following with regards to loans in the year:

- new medium-term, unsecured loans underwritten by the Parent Company Aquafil S.p.A. for a total of Euro 94 million. Borrowings are detailed in the Explanatory Notes;
- repayment of loans for a total of Euro 52 million. As a result of these actions, liquidity at year-end decreased from Euro 79.7 million to Euro 52.7 million.

There were no restrictions on liquidity.

## 7.11 Assets held-for-sale

The account includes machinery constructed internally for installation at other companies of the Group for Euro 1,755 thousand.

## 7.12 Shareholders' Equity

### Share capital

At December 31, 2022, the Company authorised share capital amounted to Euro 50,522 thousand, whose subscribed and paid-up capital amounts to Euro 49,722 thousand, while the unsubscribed and unpaid portion relates to, for Euro 800 thousand, the capital increase in service of Aquafil Sponsor Warrants. The subscribed and paid-up share capital is divided into 51,218,794 shares without nominal value divided into:

- 42,902,774 ordinary shares, identified by the ISIN Code IT0005241192;
- 8,316,020 special Class B shares, identified by the ISIN Code IT0005285330 which, in compliance with any legal limits, assign 3 exercisable voting rights pursuant to Art. 127-sexies of Legislative Decree No. 58/1998 in shareholders' meetings of the company and which may be converted into ordinary shares under specific conditions and circumstances as regulated by the By-Laws, at the rate of one ordinary share for each Class B share.

Following the fulfilment of that indicated at Article 5 of the By-Laws of Aquafil S.p.A., 100% of the Class C shares (i.e. 80,000 class C shares), were automatically converted into ordinary shares, according to the conversion ratio of 1 ordinary share for each Class C share, without the expression of interest from their respective holders and without any change in the total amount of the company share capital.

It is recalled that the 80,000 special Class C shares, identified by the ISIN Code IT0005241747, were without voting rights in the ordinary and extraordinary shareholders' meetings of the company and excluded from the right to receive profits which the company resolves to distribute as an ordinary, non-transferable dividend until April 5, 2022 and automatically converted into ordinary shares in the conversion ratio of 4.5 ordinary shares for each Class C share according to specific conditions and circumstances laid down by the By-Laws.

As a result of this share conversion, the Company's share capital remains at Euro 49,722,417 while the number of ordinary shares increases from 42,822,774 to 42,902,774, while the class B shares remained unchanged (8,316,020 shares) and consequently the total number of shares remains unchanged (51,218,794 shares).

The breakdown of Aquafil S.p.A.'s subscribed and paid-up share capital at December 31, 2022 is shown below:

Type of shares	No. shares	% of share capital	Listing
Ordinary	42,902,774	83.76%	MTA, STAR Segment
Class B	8,316,020	16.24%	Non-listed
Class C	0	0.00%	Non-listed
<b>Total</b>	<b>51,218,794</b>	<b>100%</b>	

On the basis of communications sent to the National Commission for Companies and the Stock Exchange (CONSOB), and received by the Company pursuant to Article 120 of Legislative Decree No. 58 of February 24, 1998, as well as the effect of the conversion of Market Warrants in the year, holders of a significant shareholding as at December 31, 2022 - i.e. considering Aquafil S.p.A.'s qualification as an SME pursuant to Article 1 (w-quarter). 1 of the CFA, of a shareholding of greater than 5% of Aquafil S.p.A. share capital with voting rights.

The declarant or subject at the top of the equity chain	Direct shareholder	Type of shares	No. shares	No. votes
GB&P S.r.l.	Aquaflin Holding S.p.A.	Ordinary	21,554,705	21,554,705
		Class B	8,316,020	24,948,060
<b>Total</b>			<b>29,870,725</b>	<b>46,502,765</b>
<b>Holding</b>			<b>58.32%</b>	<b>68.52%</b>

The availability and distributability of shareholders' equity is outlined in the following table:

Description	Amount	Origin	Possibility of utilisation	Quota available
<b>Capitale</b>	<b>49,722,417</b>			
Group	1,256,837	Of profits	B	1,256,837
Legal reserve	19,975,348	Of capital (*)	A, B	19,975,348
Share premium reserve	(8,014,531)			
Negative reserve for treasury shares in portfolio	(3,287,529)			
Non-distributable reserve for listing costs	(2,156,097)			
FTA Reserve	(181,449)			
<b>IAS 19 reserve</b>	<b>7,592,580</b>			
Total capital reserves	16,438,024	Of profits	A, B, C	16,438,024
Other reserves	30,995,648	Of profits	A, B, C	30,995,648
<b>- Retained earnings</b>	<b>47,433,672</b>			<b>47,433,672</b>
Total profit reserves	15,930,426	Of profits (**)	A, B, C	15,133,905
<b>Profit/(loss) for the year</b>	<b>120,679,096</b>			
Total Shareholders' Equity	1,354,568			
Non-distributable reserve	46,079,104			
Distributable Reserve				

(\*) The share premium reserve is distributable when the legal reserve reaches one-fifth of the share capital.

(\*\*) 5% not distributable to cover legal reserve.

## Warrants

The following were initially issued on listing:

- (i) 7,499,984 Aquafil Market Warrants, listed and identified by the ISIN Code IT0005241200, which incorporate the right to the allocation of Aquafil S.p.A. shares of Conversion Market Warrants and are exercisable under the conditions set out in the relative regulation approved by the Space3 extraordinary shareholders' meeting by resolution of December 23, 2016. Pursuant to the Aquafil S.p.A. Market Warrant Regulation (ISIN IT0005241200), December 4, 2022 was the deadline for the exercise of the Aquafil Warrants financial instruments, as 60 (sixty) months had elapsed since the date of admission to listing of Aquafil's ordinary shares (ISIN IT0005241192);
- (ii) 800,000 Aquafil Sponsor Warrants, identified by the ISIN Code IT0005241754, non-listed and exercisable within ten years from the date of December 4, 2017, payable at the unit exercise price of Euro 13.00 (on achieving a "Strike Price" of Euro 13.00), in response to the allocation of an Aquafil Share of Aquafil Conversion Sponsor Warrants for each Sponsor Warrant exercised.

As commented in the Directors' Report, it should be noted that on December 4, 2022, the exercise deadline for the Aquafil Warrants financial instruments concluded, and therefore as of December 31, 2022, 2,014,322 Aquafil Market Warrants have been converted with the allotment of 498,716 Conversion Shares. As of December 31, 2022, therefore, no other Market Warrants are outstanding, while it is noted that no Aquafil Sponsor Warrants have been converted.

## Legal reserve

The legal reserve at December 31, 2022 was equal to Euro 1,257 thousand; the increase of Euro 558 thousand was approved by the Shareholders' Meeting of April 28, 2022 which allocated to this reserve one twentieth of the profit for the year 2021.

## Share premium reserve

The share premium reserve amounted to Euro 19,975 thousand at December 31, 2022 and is derived from the merger transaction between Aquafil S.p.A. and Space 3 S.p.A. on December 4, 2017.

## Negative reserve for treasury shares in portfolio

The negative reserve for treasury shares in portfolio totalled Euro 8,014,531 at December 31, 2022. It should be noted that, on October 20, 2021, Aquafil S.p.A. announced that the Company's Shareholders authorised the purchase of treasury shares in accordance with Article 2357 of the Italian Civil Code. This authorisation by Shareholders has a duration of 18 months from the date of the authorising resolution. The operation is aimed at enabling the Company to purchase and/or make use of the Company's ordinary shares for: (i) making investments and limiting anomalous changes in share prices so as to promote regular trading outside of normal fluctuations tied to market trends, while, in any event, observing applicable laws and regulations; and (ii) establishing a securities reserve for future uses in accordance with the strategies that the Company intends to pursue as payment in corporate transactions with other parties or other extraordinary uses. The Shareholders authorised the purchase, in one or more tranches, of ordinary shares up to a maximum

number which, taking account of the ordinary shares which may be held in portfolio by the company and by its subsidiary, does not total more than 3% of share capital.

On December 31, 2022, following the purchases made, Aquafil held 1,181,685 treasury shares, equal to 2.3071% of share capital.

#### Listing costs/Share capital increase reserve

This item amounted to Euro 3,287 thousand at December 31, 2022, as a decrease in shareholders' equity and relates to the costs incurred in 2017 for the listing and thereafter the share capital increase.

#### "First Time Adoption" Reserve (FTA)

The FTA reserve amounts to Euro 2,156 thousand, as a reduction of net equity, and represents the conversion effects from Italian GAAP to IFRS.

#### IAS 19 reserve

At December 31, 2022, the IAS 19 reserve was equal to a Euro 181 thousand reduction in shareholders' equity and includes the actuarial effects at that date of severance indemnities and all the other benefits for employees of Group companies.

#### Retained earnings

At December 31, 2022, they amount to Euro 30,996 thousand.

#### Dividends

The Shareholders' Meeting of April 28, 2022 approved the distribution of dividends, with the payment to shareholders of a dividend of Euro 0.12 per share, for a total of Euro 6 million.

## 7.13 Employee benefits

The account is comprised of:

(in Euro thousands)	December 2022
<b>Balance at December 31, 2021</b>	<b>2,176</b>
Financial charges	29
Advances and settlements	(172)
Actuarial (gain)/loss	(228)
<b>Balance at December 31, 2022</b>	<b>1,805</b>

The post-employment benefits provision includes the effects of discounting as required by the IAS 19 accounting standard.

The following is a breakdown of the main economic and demographic assumptions used for actuarial valuations:

Financial assumptions	31 December 2022
Discount rate	3.57%
Inflation rate	2.30%
Annual increase in employee leaving indemnity	3.23%
<b>Demographic assumptions</b>	
Death	The RG48 mortality tables published by the General State Controller
Disability	INPS tables by age and gender
Retirement	100% on satisfying AGO requirements
<b>Annual frequency of Turnover and leaving indemnity advances</b>	
Frequency advances	4.50%
Frequency turnover	2.50%

It should be noted that the bond's financial average duration at December 31, 2022 is approximately 7 years.

## 7.14 Current and non-current financial liabilities

The account is comprised of:

(in Euro thousands)	December 2022 <i>of which current portion</i>		December 2021 <i>of which current portion</i>	
Medium/long term bank loans	259,688	59,911	210,861	47,695
Accrued interest and charges on medium/long-term bank loans	(379)	(379)	(527)	(527)
<b>Total medium/long-term loans</b>	<b>259,310</b>	<b>59,533</b>	<b>210,334</b>	<b>47,168</b>
Bond loans	83,158	12,857	90,353	7,143
Accrued interest and charges on bonds	251	251	316	316
<b>Total bond loan</b>	<b>83,409</b>	<b>13,108</b>	<b>90,670</b>	<b>7,459</b>
Current and non-current RoU liabilities	4,401	1,379	11,614	8,048
Financing payables to Finest S.p.A.	0	0	0	0
Liabilities for derivative financial instruments	0	0	468	0
Other lenders and banks – short term	1,106	1,106	155	155
Loans intercompany	8,438	0	7,946	0
Parent company loans	0	0	0	0
<b>Total</b>	<b>356,664</b>	<b>75,126</b>	<b>321,187</b>	<b>62,830</b>

### Medium/long term bank loans

This account refers to payables relating to financing agreements obtained from major credit institutions. These agreements mainly envisage the payment of interest at a fixed rate or, alternatively, at a variable rate typically linked to the Euribor rate for the period plus a spread.

At year-end all the Group's loans had been contracted by Aquafil S.p.A., in view of its positive rating and the favourable situation within the Italian financial market. During the year, Aquafil S.p.A. thus provided financial support, through loans and share capital increases, to the investment activities of subsidiaries, particularly in Slovenia.

It should also be noted that, in 2022, Aquafil S.p.A. worked to reduce financial availability, which significantly increased in the previous two years, also with a view to maintaining enough liquidity to handle the impact of the pandemic. During 2022, loans were repaid on schedule and new medium/long term loans totalling Euro 94 million were entered into with leading banking institutions.

The funds raised were used to maintain liquidity.

	Original amount	Granting date	Maturity date	Loan repayments	Rate applied	At December 31, 2022	of which current portion
(in Euro thousands)							
<b>Medium/long term bank loans - fixed rate</b>							
Cassa Centrale Banca – Credito Cooperativo del Nord Est (ex Casse Rurali Trentine) (*)	15,000	2019	2026	Quarterly from 30/09/2021	1.25% fixed from 01/07/2024 Euribor 3 months + 1%	10,598	2,981
Cassa Centrale Banca (*)	11,000	2022	2029	22 quarterly instalments	1.20% fixed for the first 4 years	11,000	484
Credito Valtellinese (*)	15,000	2018	2024	Quarterly from 05/10/2018	1% fixed	7,566	4,307
Mediocredito Trentino Alto Adige	3,000	2022	2026	Half-yearly from 15/10/2023	0.85% fixed until 15/10/2022 Euribor 3 months + 1%	3,000	247
Cassa Depositi e Prestiti (*)	20,000	2020	2027	Half-yearly from 20/06/2023	1.48% fixed	20,000	4,000
<b>Total medium/long term bank loans - fixed rate</b>						<b>52,164</b>	<b>12,019</b>
<b>Medium/long term bank loans - variable rate</b>							
Deutsche Bank (*)	5,000	2018	2024	Quarterly from 15/01/2019	Euribor 3 months + 1.20%	2,188	1,250
Deutsche Bank (*)	20,000	2022	2028	20 Quarterly from 01/10/2023	Euribor 3 months + 1.20%	20,000	2,000
Cassa Risparmio di Bolzano (*)	20,000	2018	2025	Quarterly from 31/03/2020	Euribor 3 months + 0.85%	12,102	4,000
Cassa Risparmio di Bolzano (*)	10,000	2022	2028	16 quarterly from 31/12/2024	Euribor 3 months + 1.05%	10,000	0
Banca Intesa (*) (**)	15,000	2018	2024	10 half-yearly from 31/7/2019	Euribor a 6 months + 0.95%	5,143	2,571
Banca Intesa (*) (**)	30,000	2021	2027	Half-yearly from 30/06/2023	Euribor a 6 months + 1.10%	30,000	6,000
Banca di Verona	3,500	2016	2023	Quarterly from 30/06/2017	Euribor 3 months + 1.80%	333	333
Banca di Verona	15,000	2017	2024	Quarterly from 30/06/2017	Euribor 3 months + 2%	5,836	3,210
Banca di Verona	3,000	2019	2024	Quarterly from 06/08/2021	Euribor 3 months + 1.30%	1,909	727
Banca di Verona	5,000	2022	2027	Quarterly from 27/4/2024	Euribor 6 months + 1.20%	5,000	0
Credito Valtellinese	3,000	2017	2023	Quarterly from 05/07/2017	Euribor 3 months + 0.90%	459	459
Cassa Rurale Raiffeisen Alto Adige	3,000	2017	2023	Quarterly from 30/06/2018	Euribor 3 months + 0.90%	191	191
Banca Popolare di Milano (*) (**)	25,000	2018	2025	Quarterly from 31/03/2020	Euribor 3 months + 0.90%	16,011	4,394
Banca Popolare di Milano (*) (**)	15,000	2019	2025	Quarterly from 30/09/2020	Euribor 3 months + 1.05%	9,070	2,926
Banca Popolare Emilia Romagna (*) (**)	10,000	2019	2025	Monthly from 26/09/2020	Euribor 3 months + 0.75%	6,700	2,497
Banca Nazionale del Lavoro (*)	7,500	2018	2025	Half-yearly from 31/12/2019	Euribor 6 months +1.40%	4,091	2,045
Banca Nazionale del Lavoro (*)	12,500	2018	2025	Half-yearly from 31/12/2019	Euribor 6 months +1.25%	6,818	3,409
Banca Nazionale del Lavoro (*)	20,000	2022	2027	Quarterly from 08/12/2023	Euribor 3 months + 1.40%	20,000	1,250
Banca Popolare di Sondrio	5,000	2017	2023	Monthly from 31/08/2018	Euribor 1 month + 0.80%	739	739
Credit Agricole Friuladria (ex Banca Popolare Friuladria) (*) (**)	10,000	2017	2025	Quarterly from 31/03/2019	Euribor 3 months + 1.30%	4,607	1,800
Credit Agricole Friuladria (ex Banca Popolare Friuladria) (*) (**)	10,000	2019	2025	Half-yearly from 28/12/2020	Euribor 6 months + 1.05%	5,455	1,818
Monte dei Paschi (*)	15,000	2018	2025	Half-yearly from 31/12/2019	Euribor 6 months + 0.80%	9,375	3,750
Crediti Emiliano	5,000	2022	2027	Quarterly from 16/9/2023	Euribor 3 months + 0.90%	5,000	522
Banca del Mezzogiorno (*) (**)	10,000	2019	2026	Quarterly from 09/11/2020	Euribor 1 month + 1.20%	6,500	2,000
Cassa Depositi e Prestiti (*)	20,000	2022	2027	Half-yearly from 30/6/2024	Euribor 6 months + 1.55%	20,000	0
<b>Total medium/long term bank loans - variable rate</b>						<b>207,527</b>	<b>47,891</b>
Accrued interest on medium/long term bank loans						(379)	(379)
<b>Medium/long term bank loans - fixed and variable rate</b>						<b>259,312</b>	<b>59,531</b>

(\*) Loans that provide for compliance with financial covenants.

(\*\*) Loan to which an interest rate swap contract is linked under which interest to be paid to the bank is fixed and equal to the value shown in the table.



Certain loan agreements provide for compliance with financial and equity covenants (expressed at consolidated Group level), as summarised below:

Loan	Period	Parameter	Reference	Limit
Banca Friuladria	Annually	Net Debt/Net Equity	Group	≤ 2.50
	Annually	Net Debt/EBITDA net of lease costs		≤ 3.75
Banca Intesa	Annually	Net Debt/Net Equity	Group	≤ 2.50
	Annually	Net Debt/EBITDA		≤ 3.75
Cassa di risparmio di Bolzano	Annually	Net Debt/Net Equity	Group	≤ 2.50
	Annually	Net Debt/EBITDA		≤ 3.75
Banca Nazionale del Lavoro	Annually	Net Debt/Net Equity	Group	≤ 2.50
	Annually	Net Debt/EBITDA		≤ 3.75
Banca Popolare di Milano	Annually	Net Debt/Net Equity	Group	≤ 2.50
	Annually	Net Debt/EBITDA		≤ 3.75
Credito Valtellinese	Annually	Net Debt/Net Equity	Group	≤ 2.50
	Annually	Net Debt/EBITDA		≤ 3.75
Deutsche Bank	Annually	Net Debt/Net Equity	Group	≤ 2.50
	Annually	Net Debt/EBITDA		≤ 3.75
Monte dei paschi	Annually	Net Debt/Net Equity	Group	≤ 2.50
	Annually	Net Debt/EBITDA		≤ 3.75
Casse Centrali C.R. Trentine	Annually	Net Debt/Net Equity	Group	≤ 2.50
	Annually	Net Debt/EBITDA		≤ 3.75
Banca Pop. Emilia Romagna	Annually	Net Debt/Net Equity	Group	≤ 2.50
	Annually	Net Debt/EBITDA		≤ 3.75
MCC/Banca del Mezzogiorno	Annually	Net Debt/Net Equity	Group	< 2.50
	Annually	Net Debt/EBITDA		< 3.75
Cassa Depositi e Prestiti	Annually	Net Debt/Net Equity	Group	≤ 2.50
	Annually	Net Debt/EBITDA		≤ 3.75

For the bank loans with covenants, at December 31, 2022, all had been complied with.

With reference to the loans granted, there are no mortgages or guarantees registered on company assets.

### Bond loans

The Company had issued two fixed-rate bond loans for an original total value of Euro 90 million:

1. a first bond loan (“A”), initially issued on June 23, 2015 and subscribed by companies belonging to the US Group Prudential Financial Inc., with a value equal to Euro 50 million, to be repaid in 7 equal instalments of Euro 7.1 million, of which the first with maturity on September 20, 2022 and the last on September 20, 2028, subject to a fixed interest rate of 3.70% with the application of a “margin ratchet” condition which provides for a gradual increase in the rate up to a maximum of 1% on the fluctuation of the NFP/EBITDA ratio of the Group. With effect from September 20, 2019, as a result of the variation in the NFP/EBITDA ratio in the first half of 2019, the interest rate increased to 4.70%. Application of this interest rate was confirmed until September 30, 2021. The NFP/EBITDA ratio resulting from approval of the financial statements at June 30, 2021 led to a reduction in the interest rate applicable for the period September 2021 to March 2022 to 4.20%. With the ratio reported at December 31, 2021, the margin ratchet has been brought to zero, bringing the interest rate for the six months subsequent to March 2022 to 3.70%. Due to the NFP/EBITDA ratio resulting from the approval of the 2022 half-yearly consolidated financial statements, the application of the interest rate at 3.70% is confirmed until March 2023.

It is noted that the first instalment of Euro 7.1 million was repaid on September 20, 2022;

2. in addition to the line of credit used for the “A” bond loan, the Prudential Group has granted the company a so-called “Shelf Facility” available on request and usable up to a maximum amount of approx. USD 90 million. This line was partially used to cover the issuance of the second bond (“B”) and remains available at current market conditions for approx. USD 50 million. Bond B was issued on May 24, 2019 to finance the business combination of Aquafil O’Mara Inc., and subscribed by companies belonging to the US Group Prudential Financial Inc. for a total of Euro 40 million; the terms provide for repayment in 7 annual instalments from May 24, 2023, a fixed interest rate equal to 1.87%, with the application of the same margin ratchet condition as for bond A, which brought the rate to 2.87% until November 24, 2021, whereas, from November 25, 2021, to May 24, 2022, following changes in the NFP/EBITDA ratio, the rate will be 2.37%. With the ratio reported at December 31, 2021, the margin ratchet has been brought to zero, bringing the interest rate for the six months subsequent to May 2022 to 1.87%. Due to the NFP/EBITDA ratio resulting from the approval of the 2022 half-yearly consolidated financial statements, the application of the interest rate at 1.87% is confirmed until May 2023.

The following table summarises the main characteristics of the aforementioned bond loans:

Bond loan	Total Nominal Value	Issue date	Maturity date	Capital portion repayment plan	Interest rate applied
Bond loan A	50,000,000	23/06/2015	20/09/2028	7 annual instalments from 20/09/2022	3.70%
Bond loan B	40,000,000	24/05/2019	24/05/2029	7 annual instalments from 24/05/2023	1.87%

Bond loans envisage compliance with the following financial covenants, as contractually defined, to be calculated on the basis of the Group's consolidated financial statements:

#### Bond loan A – B

Financial parameters	Parameter	Covenant limit
Interest Coverage Ratio	EBITDA/Net financial charges	> 3.5
Leverage Ratio (*)	Net Debt/EBITDA	< 3.75
Net Debt Ratio	Net Debt/Net Equity	Minimum Net Equity threshold levels

(\*) This indicator must be calculated with reference to the 12-month period which terminates on December 31 and June 30 for all years applicable.

Non-compliance with just one of the above financial parameters, where not resolved within the contractual deadlines provided, would constitute a circumstance for the bond loan's compulsory early repayment.

The terms and conditions of the above bond loans also envisage, as is customary for financial transactions of this type, a structured series of commitments to be borne by the Company and Group companies ("Affirmative Covenants") and a series of limitations on the possibility of carrying out certain transactions, if not in compliance with certain financial parameters or specific exceptions provided for by the agreement with the bondholders ("Negative Covenants"). Specifically, there are in fact certain limitations on the assumption of financial debt, on carrying out certain investments and on acts of disposal of corporate assets. To ensure the timely and correct fulfilment of obligations arising on account of the Parent Company from the issue of securities, the companies Aquafil Usa Inc. and Aquafil SLO d.o.o. have issued joint corporate guarantees in favour of underwriters:

As specified previously, the covenants at December 31, 2022 have been met for bond loans also. It should also be noted that on the basis of the forecasts set out in the business plan to date there are no elements to consider compliance with the above covenants to be at risk in the near future.

#### Lease liability

The lease liability, which amounts to Euro 4,401 thousand, refers to the effects of the application of IFRS 16.

In addition, during 2022, Aquafil S.p.A.'s Arco (TN) property was redeemed with Trentino Sviluppo S.p.A. the contract in question was entered into in December 2007, with maturity in November 2022 and with Euro 5.5 million paid for the redemption, which is the main reason for the decrease of the balance.

#### Loans intercompany

The loan granted to the subsidiary Aquafil Jiaxing Co. Ltd. for USD 9,000 thousand (equating to Euro 8,438 thousand) was confirmed as outstanding at December 31, 2022.

## 7.15 Provisions for risks and charges

The account is comprised of:

(in Euro thousands)	December 2022	December 2021
Other provisions for risks and charges	0	91
Agents' supplementary indemnity provision	1,083	728
<b>Total</b>	<b>1,083</b>	<b>819</b>

The amount recognised in 2021 to “Other provisions for risks and charges” referred to the dispute with the Tax Agency regarding FY 2015, released in the year following the reaching of an agreed settlement. Therefore, the assessment notices for FY 2015 have been fully settled.

The changes in the “Agents’ supplementary indemnity provision” were as follows:

(in Euro thousands)	December 2022
<b>Balance at January 1, 2022</b>	<b>728</b>
Increases	360
Decreases	(5)
<b>Balance at December 31, 2022</b>	<b>1,083</b>

The main impact of the increase of the provision concerns an agency relationship being concluded.

## 7.16 Other current and non-current liabilities

(in Euro thousands)	December 2022	<i>of which current portion</i>	December 2021	<i>of which current portion</i>
Tax payables	1,419	1,419	1,394	1,394
Employee payables	7,083	7,083	7,228	7,228
Payables to social security institutions	1,765	1,765	1,726	1,726
Tax payables to subsidiaries	2,830	2,830	1,290	1,290
Other current and non-current liabilities	8,739	2,706	11,544	2,317
<b>Total</b>	<b>21,836</b>	<b>15,804</b>	<b>23,181</b>	<b>13,954</b>

The account is comprised of:

- “Tax payables” mainly include withholding taxes and other tax payables;
- “Employee payables” mainly decreased due to a reduction in hours worked in the year;
- “Social security payables” which mainly includes the amount owed at year-end by the Company and its employees to social security institutions;
- “Subsidiaries for taxes” which entirely refers to payables to Tessilquattro S.p.A. accrued as a result of the transfer of the latter’s tax losses to Aquafin Holding S.p.A. in its role as tax consolidation entity. Specifically, in accordance with the consolidation agreement, Aquafil S.p.A. is responsible for netting between group companies and the tax consolidation entity Aquafin Holding S.p.A.. In fact, an identical opposite amount has been recognised under “Tax receivables from parents” as described above;
- “Accrued liabilities and deferred income” mainly comprise:
  - the commercial contract with the US group Interface, involving a worldwide collaboration for supply and product development. In particular, Aquafil S.p.A. undertook an obligation until 2026 to guarantee Interface conditions of supply, against which the client, in addition to committing to annual minimum volumes, paid to Aquafil USD 24 million in advance. At December 31, 2022, this deferred revenue (recognised to deferred income) amounts to Euro 7,375 thousand;
  - the deferral of the portion pertaining to future years of the contribution obtained from the European Union for the “EFFECTIVE” research project, described in the Directors’ Report and also commented on in the notes above. The original deferred income recognised for Euro 1.7 million which concerns the overall contribution recorded at the signing date of the agreement with lending banks (with counter-entry to Other non-current assets), amounts to Euro 897 thousand at December 31, 2022. It should be noted that from 2019 onwards, costs relating to the EFFECTIVE project have been capitalised under intangible assets in progress for the portion eligible under IAS 38. The residual contribution concerning the capitalised portion is recognised to the income statement from the present year, as the asset is capitalised and therefore amortised.

## 7.17 Trade payables

The account is comprised of:

(in Euro thousands)	December 2022	December 2021
Trade payables – suppliers	76,016	80,789
Trade payables intercompany	70,824	52,267
Advances and other payables	0	21
<b>Total</b>	<b>146,840</b>	<b>133,077</b>

At December 31, there were no debts falling due over five years in the balance sheet.

Intercompany trade payables refer to payables deriving from purchases related to the production cycle and are as follows:

(in Euro thousands)	December 2022	December 2021
Aquafil UK Limited	1,831	1,257
AquafilSLO d.o.o.	37,230	22,457
Aqualeuna GmbH	0	13
Aquafil Oceania Pty Ltd.	101	145
AquafilCRO d.o.o.	4,399	4,272
Aquaspace S.p.A.	54	47
Tessilquattro	14,600	17,840
Aquafil USA Inc.	42	40
Aquafil Textil Sanayi	12	71
Aquafil China	12,454	6,045
Aquafil Benelux France B.V.B.A.	84	80
La Torre Società Agricola	16	21
<b>Total</b>	<b>70,824</b>	<b>52,289</b>

The increase in trade payables derives from higher purchases for production as revenues increased and to an increase in prices (particularly for raw materials and energy).

## 7.18 Current tax payables

Current tax payables of Euro 73 thousand relate to IRAP.

For the year under review, Aquafil S.p.A. calculated IRAP by the method established for financial companies, in light of the new legislation on financial holding companies, at the increased rate of 4.65%. For further information, reference should be made to Note 8.14 below.

## 8. NOTES TO THE INCOME STATEMENT

### 8.1 Revenues

The breakdown of revenues is shown below:

(in Euro thousands)	2022	2021
EMEA	554,130	484,320
North America	82,209	30,518
Asia and Oceania	57,975	54,084
Rest of the world	29	912
<b>Total</b>	<b>694,343</b>	<b>569,835</b>

In accordance with IFRS 15, revenues include, as a direct reduction in their amount, cash discounts, which amount to Euro 3,363 thousand in 2022.

This increase was due both to higher sales prices, which recovered the cost increases for raw materials and most goods and services, in addition to a better sales mix which more than offset the drop in volumes, entirely concerning the polymers product line and which in 2021 reported an exceptional performance.

### 8.2 Other revenues and income

“Other revenues and income” amount to Euro 7,099 thousand and refers mainly to:

- Euro 6,426 thousand for the energy and gas tax credit subsidy granted during the year for electricity-intensive and natural gas-intensive companies that have met the requirements under the regulations (Decree Law No. 4 of 01/27/2022);
- Euro 273 thousand regarding the portion in the year of the grant recognised by the EU for the “Effective” research project;
- Euro 227 thousand related to state aid under the Energy Transition Fund in the industrial sector to partially offset indirect costs incurred for CO2 emissions, calculated in accordance with Article 6 of Ministerial Decree of November 12, 2021;
- Euro 185 thousand related to the tax credit accrued on the research and development expenses incurred in 2022 and determined as per Article 1, paragraph 35 of Law No. 190 of December 23, 2014;
- Euro 48 thousand for the tax credit on the purchase of capital goods and for the contribution recognised by the EU for the “Cisuflo” project.

### 8.3 Raw material costs

The account includes raw materials and consumables costs, in addition to changes in inventories. This increase reflects the rise in the price of oil and of its derivatives, in addition to the cost of utilities and increased prices for caprolactam processes and for polymer purchases. The account is comprised of:

(in Euro thousands)	December 2022	December 2021
Raw material purchases	410,236	342,561
Ancillaries and consumables	6,910	5,880
Purchases of other materials	148,961	122,379
Other charges	645	89
Change in inventories	(11,759)	(8,110)
<b>Total</b>	<b>554,993</b>	<b>462,799</b>

The raw material costs incurred in the year include costs from the following subsidiaries and associates:

(in Euro thousands)	December 2022	December 2021
Aquafil Asia Pacific Co. Ltd.	0	26
Aquafil UK Ltd.	6,725	4,387
Aquafil SLO d.o.o.	198,486	153,059
Aqualeuna GmbH	45,664	0
AquafilCRO d.o.o.	83,457	34,340
Tessilquattro S.p.A.	0	72,006
Aquafil USA Inc.	36,148	16
Aquafil Synthetic Fibres	0	26,960
<b>Total</b>	<b>370,480</b>	<b>290,793</b>

## 8.4 Service costs

The account is comprised of:

(in Euro thousands)	December 2022	December 2021
Transport, shipping & customs	16,802	9,209
Electricity, propulsive energy, water and gas	30,855	11,184
Maintenance	2,183	1,651
Services for personnel	2,365	1,375
Technical, ICT, commercial, legal & administrative consultancy	7,271	6,556
Insurance	1,603	1,152
Marketing and advertising	4,654	4,218
Cleaning, security and waste disposal	481	540
Warehousing and external storage	2,554	2,520
External processing	4,394	4,593
Statutory auditors fees	147	141
Other service costs	1,351	1,253
Rentals and hire	528	517
<b>Total</b>	<b>75,190</b>	<b>44,908</b>

Service costs from related parties amount to Euro 2,401 thousand and mainly relate to processing costs undertaken by Aquafil SLO d.o.o for Euro 1,453 and to commissions from Aquafil Benelux France B.V.B.A. for Euro 694 thousand, from Aquafil Oceania for Euro 137 thousand and from Aquafil Tekstil Sanayi Ve Ticaret A.S. for Euro 108 thousand.

The significant increase is highlighted, as a result of the highly unstable political and economic situation for Europe, in the costs of utilities in view of the market developments for these production factors and for transport.

The general increase in service costs is based on the rise in other purchase costs, which significantly rose in the year.

## 8.5 Labour costs

These costs are broken down as follows:

(in Euro thousands)	December 2022	December 2021
Salaries and wages	23,899	25,652
Social security contributions	8,175	7,891
Post-employment benefits	1,519	1,511
Other personnel costs	179	393
Director fees	3,960	2,638
<b>Total</b>	<b>37,733</b>	<b>38,086</b>

Senior management bonuses were recognised as the operating objectives were achieved. The decrease in wages and salaries is also due to the lower hours worked in 2022.

The number of employees, broken down by category, is as follows:

(in Euro thousands)	2022	2021	Average 2022	Average 2021
Executives	25	27	26	26
Managers	50	48	48	46
White-collar	151	145	149	146
Blue-collar	286	322	301	334
<b>Total</b>	<b>512</b>	<b>542</b>	<b>524</b>	<b>552</b>

## 8.6 Other operating costs and charges

These costs are broken down as follows:

(in Euro thousands)	December 2022	December 2021
Taxes, duties & sanctions	259	243
Losses on asset sales	8	0
Other operating charges	616	496
<b>Total</b>	<b>884</b>	<b>739</b>

The item “Taxes, levies and penalties” mainly includes the costs for local taxes and taxes not on income.

“Other operating charges” mainly include the share related to the provisioning agreement with Domo Engineering Plastics and costs related to previous years.

## 8.7 Amortisation, depreciation and write-downs of tangible and intangible assets

The account is comprised of:

(in Euro thousands)	December 2022	December 2021
Amortisation of intangible assets	3,624	1,811
Depreciation of property, plant & equipment	5,609	5,862
RoU depreciation	1,478	1,474
Write-down of intangible assets	0	1,650
<b>Total</b>	<b>10,711</b>	<b>10,798</b>

The intangible asset relating to the development of the “Effective” bio-caprolactam production process and consequently bio-nylon 6 from renewable raw materials was capitalised in the year, generating amortisation of Euro 1,821 thousand.

## 8.8 Provisions and write-downs

The account is comprised of:

(in Euro thousands)	December 2022	December 2021
Doubtful debt provision	0	0
Provisions for risks and charges	(360)	(147)
<b>Total</b>	<b>(360)</b>	<b>(147)</b>

“Other provisions for risks and charges” principally include the accrual for agents’ supplementary indemnities.

Provisions are reported net of the relative release of funds.



## 8.9 Costs for internal work capitalised

For the year 2022 this item amounting to Euro 1,412 thousand mainly refers to the capitalisations made in relation to the following projects:

- Euro 1,156 thousand for the improvement and technological upgrading of existing plant and equipment;
- Euro 256 thousand for the Effective research project described in the Directors' Report.

## 8.10 Investment income (charges)

This account mainly includes dividends received.

## 8.11 Financial income

The account is comprised of:

(in Euro thousands)	December 2022	December 2021
Financial income receiv. from Group companies	633	449
Other interest	64	0
Interest income current accts.	17	8
Derivative financial instruments	4,506	599
<b>Total</b>	<b>5,219</b>	<b>1,057</b>

"Derivative financial instruments" amount to Euro 4,506 thousand, increasing approx. Euro 3,907 thousand on December 31, 2021. The increase is substantially due to the higher fair value (Mark to Market valuation) of derivatives, due to interest rate curve movements.

Interest income on loans from subsidiaries, parent companies, related companies are as follows:

(in Euro thousands)	December 2022	December 2021
Aquafil UK Ltd.	33	27
Aquafil SLO d.o.o.	445	93
Aqualeuna GmbH	64	112
Aquafil USA Inc.	0	180
Cenon S.r.o.	58	37
Aquafil Synthetic Fibres	33	0
<b>Total</b>	<b>633</b>	<b>449</b>

## 8.12 Financial charges

The account is comprised of:

(in Euro thousands)	December 2022	December 2021
Interest on mortgage loans	3,145	2,444
Interest on bonds	2,705	3,454
Interest on current accounts	1	0
Bank expenses and commissions	263	399
Write-downs of derivatives and financial instruments	0	0
Interest on factoring transactions	557	215
Interest on commercial transactions	497	22
Interest to leasing companies	51	77
Interest from Group companies	41	0
Other charges	29	38
Financial charges	56	48
Financial charges to group companies	101	98
Interest expenses to Group companies	431	15
Write-downs of fixed assets – group companies	1,435	3,172
<b>Total</b>	<b>9,312</b>	<b>9,983</b>

The item “Write-downs of fixed assets - Group companies” includes the write-downs of the loans outstanding for Euro 1,127 thousand from the subsidiary Aquafil UK Ltd and for Euro 308 thousand from the subsidiary Cenon S.r.o..

### 8.13 Exchange gains and losses

The breakdown of the account is as follows:

(in Euro thousands)	December 2022	December 2021
Total exchange gains	9,280	3,332
Total exchange losses	(8,799)	(2,931)
<b>Total exchange differences</b>	<b>481</b>	<b>401</b>

The amount, equal to a gain of Euro 481 thousand for the year 2022, is the net balance between exchange rate gains (realised and unrealised) and exchange rate losses (realised and unrealised).

### 8.14 Income taxes

The account is comprised of:

(in Euro thousands)	December 2022	December 2021
Current income taxes	(1,286)	(593)
Deferred tax charges	(2,339)	(901)
<b>Total</b>	<b>(3,625)</b>	<b>(1,495)</b>

From the year 2018 Aquafil S.p.A. was included in the tax consolidation regime with the parent company Aquafin Holding S.p.A., which regime was interrupted in 2017 due to the merger by incorporation of Aquafil S.p.A. into Space 3 S.p.A.

“Deferred taxes” include the following amounts:

- positive effect from the increase in net deferred tax assets for Euro 1,113 thousand;
- tax consolidation charge (transfer of the tax position deriving from the “tax consolidation” from the holding company) for Euro 3,452 thousand, due to the transfer of a taxable loss to the consolidated level.

The most significant effect for the year is related to the reabsorption of deferred taxes related to the amount recorded in previous years as a result of the redemption of Aquafil S.p.A.’s Arco (TN) property with Trentino Sviluppo S.p.A., with a positive impact of approx. Euro 916 thousand. The contract in question was entered into in December 2007 and expired in November 2022, with Euro 5.5 million paid for the redemption. It should also be noted that energy subsidies, as specified in paragraph 8.2 Other Revenues and Income, do not contribute to the IRES and IRAP tax base.

Current taxes mainly refer to IRAP for the year amounting to Euro 639 thousand and to prior year taxes following the agreed settlement of the assessment notices for the years (as further detailed in the “Contingent liabilities” section):

- 2015 for Euro 431 thousand, and
- 2016 for Euro 279 thousand,

net of the use of the risk provision previously recognised for Euro 91 thousand. For the current financial year, it should be noted that Aquafil S.p.A. has calculated IRAP tax, for the purpose of deferred taxes, in accordance with the new rules envisaged for non-financial holding companies (“industrial holdings”) as defined by Article 162-bis, paragraph 1, letter c.1) of Presidential Decree 917/86 (“Income Tax Law”) and as set out in Article 6 of Presidential Decree 446/1997 and by Provincial Law 21/2015, Article 16, paragraph 1-bis, letter b), Legislative Decree 446/97, Article 1, paragraph 11-bis, for which an increased rate of 4.65% is envisaged.

The table below shows the reconciliation of the theoretical rate of income tax with the actual impact on the result:

(in Euro thousands)	At December 31, 2022	%	At December 31, 2021	%
<b>Profit before taxes</b>	<b>19,556</b>		<b>12,648</b>	
Tax calculated on applicable rate	4,693	24.0%	3,035	24.0%
Prior year taxes	647		0	
Effect use/remuneration of tax losses	(3,452)		(2,367)	
Tax effect other changes	(1,241)		(668)	
Other income taxes (IRAP) and other minor effects	639		593	
<b>Total current income taxes</b>	<b>1,286</b>		<b>593</b>	
Deferred tax assets	0		0	
Deferred tax charges	2,339		901	
<b>Total deferred tax liabilities</b>	<b>2,339</b>		<b>901</b>	
<b>Total income taxes</b>	<b>3,625</b>		<b>1,495</b>	

## 9. NON-RECURRING ITEMS

The account is comprised of:

(in Euro thousands)	December 2022	December 2021
Expansion costs of the Aquafil Group	(406)	(168)
Tax, administrative and extraordinary technical consultancy	(122)	(276)
Bonuses and incentives	(179)	(320)
Other taxes – extraordinary	0	0
Other charges – extraordinary	(255)	(270)
<b>Total non-recurring costs</b>	<b>(961)</b>	<b>(1,034)</b>
Other extraordinary income	39	29
<b>Non-operating income and charges</b>	<b>(922)</b>	<b>(1,005)</b>

“Expansion costs of the Aquafil Group” refer to costs incurred for the activities and projects related to the expansion of the Group, in particular in India and the listing on the US OTC Markets.

“Tax, administrative and extraordinary technical consultancy” refers to costs for fiscal consulting incurred in relation to the joint audit consequent to the position paper received by Aqualeuna GmbH on the tax audit by the “Bundeszentralamt für Steuern” office responsible for intercompany transactions in the region for the years 2016 and 2017.

“Other extraordinary charges” refer to costs related to previous years.

“Bonuses and incentives” mainly concerns redundancy incentives.

The percentage of the non-recurring items of the result, of cash flows, of the equity position, and of the net debt, are reported below.

(in Euro thousands)		of which non-recurring	Percentage
Net profit/(loss)	15,930	(922)	(5.79)%
Net cash flow in the year	(26,985)	(922)	3.42% (*)
Total assets	648,993	0	0.00% (**)
Net financial debt	(298,938)	(922)	0.31% (*)

(\*) Amount paid in the year of non-recurring income statement items.

(\*\*) Amount of non-recurring income statement items yet to be paid at year-end.

## 10. NET FINANCIAL DEBT

Below is the breakdown of the net financial debt as at December 31, 2022, determined in accordance with ESMA/2013/319 Recommendations:

(in Euro thousands)	At December 31, 2022	At December 31, 2021
A. Cash	52,713	79,698
B. Cash and cash equivalents		
C. Other current financial assets	5,013	6,200
<b>D. Liquidity (A + B + C)</b>	<b>57,725</b>	<b>85,898</b>
E. Current financial debt (including debt instruments but excluding the current portion of non-current financial debt)	(1,106)	(155)
F. Current portion of non-current financial debt	(74,019)	(62,675)
<b>G. Current financial debt (E + F)</b>	<b>(75,126)</b>	<b>(62,830)</b>
<b>H. Net current financial debt (G – D)</b>	<b>(17,400)</b>	<b>23,067</b>
I. Non-current financial debt (excluding current portion and debt instruments)	(211,237)	(175,121)
J. Debt instruments	(70,301)	(83,210)
K. Trade payables and other non-current payables		
<b>L. Net current financial debt (I + J + K)</b>	<b>(281,538)</b>	<b>(258,332)</b>
<b>M. Total financial debt (H + L)</b>	<b>(298,938)</b>	<b>(235,264)</b>

The following table presents the items included in the net debt regarding related parties:

(in Euro thousands)	December 2022	December 2021
E. Current financial receivables	950	6,200
M. Other non-current financial payables	(8,438)	(7,946)
<b>O. Net financial debt with related parties</b>	<b>(7,488)</b>	<b>(1,746)</b>

The net financial reconciliation between the beginning and end of the year is presented below. The effects indicated include the currency effects.

(in Euro thousands)		current portion	non-current portion
<b>Net Debt at December 31, 2021</b>	<b>(235,264)</b>	<b>30,362</b>	<b>(265,527)</b>
Net cash flow in the year	(26,985)	(26,985)	
Contracting/reclassification of current financial receivables	(5,250)	(5,250)	
New bank loans and borrowings	(94,000)	(4,503)	(89,497)
Repayment/reclass. bank loans and borrowings	52,285	52,285	0
Leasing New Funding	1,536	523	1,013
Repayment/reclass. lease liability	5,677	6,669	(992)
Change in fair value derivatives	4,506		4,506
Repayments/drawdown loans to subsidiaries	(492)		(492)
Other changes	(951)	(951)	0
<b>Net Debt at December 31, 2022</b>	<b>(298,938)</b>	<b>52,150</b>	<b>(350,989)</b>

## 11. RELATED PARTY TRANSACTIONS

Transactions and balances with related parties are illustrated in the tables below

(in Euro thousands)	Parent companies	Subsidiaries	Related parties	Total	Total book value	% on total account items
<b>Non-current financial assets</b>						
December 2022	234	39,821	29	<b>40,084</b>	348,114	11.51%
December 2021	234	3,550	29	<b>3,813</b>	311,829	1.22%
<b>Trade receivables</b>						
December 2022	305	115,258	34	<b>115,597</b>	115,825	99.80%
December 2021		79,085	35	<b>79,120</b>	84,123	94.05%
<b>Current financial assets</b>						
December 2022		950		<b>950</b>	5,013	18.95%
December 2021		6,200		<b>6,200</b>	6,200	100.00%
<b>Other current assets</b>						
December 2022	247			<b>247</b>	7,361	3.36%
December 2021	3,152			<b>3,152</b>	6,713	46.96%
<b>Current financial liabilities</b>						
December 2022	(536)	0	(278)	<b>(814)</b>	(75,126)	1.08%
December 2021	(525)	0	(149)	<b>(673)</b>	(62,830)	1.07%
<b>Non-current financial liabilities</b>						
December 2022	(830)	(8,439)	(1,358)	<b>(10,627)</b>	(281,538)	3.77%
December 2021	(1,370)	(7,946)	(1,206)	<b>(10,523)</b>	(258,357)	4.07%
<b>Trade payables</b>						
December 2022	0	(70,753)	(71)	<b>(70,824)</b>	(146,840)	48.23%
December 2021	0	(52,221)	(68)	<b>(52,289)</b>	(133,077)	39.29%
<b>Other current liabilities</b>						
December 2022	0	(2,830)	0	<b>(2,830)</b>	(15,804)	17.91%
December 2021	0	(1,290)	0	<b>(1,290)</b>	(13,954)	9.24%

The transactions of the Company with related parties are illustrated in the table below:

(in Euro thousands)	Parent companies	Subsidiaries	Related parties	Associates	Total	Total book value	% on total account items
<b>Revenues</b>							
December 2022	250	331,756	79		<b>332,085</b>	694,343	47.83%
December 2021		238,451	29		<b>238,480</b>	569,835	41.85%
<b>Raw material costs</b>							
December 2022		(370,480)			<b>(370,480)</b>	(554,993)	66.75%
December 2021		(290,793)			<b>(290,793)</b>	(462,799)	62.83%
<b>Service costs and rent, lease and similar costs</b>							
December 2022		(2,348)	(53)		<b>(2,401)</b>	(75,190)	3.19%
December 2021		(3,130)	(41)		<b>(3,171)</b>	(44,908)	7.06%
<b>Labour costs</b>							
December 2022		(153)			<b>(153)</b>	(37,733)	0.41%
December 2021		(173)			<b>(173)</b>	(38,086)	0.45%
<b>Other operating costs and charges</b>							
December 2022			(26)		<b>(26)</b>	(884)	2.94%
December 2021			(26)		<b>(26)</b>	(739)	3.52%
<b>Financial income (charges) from invest-ments</b>							
December 2022				183	<b>183</b>	183	100.00%
December 2021		6,794			<b>6,794</b>	6,794	100.00%
<b>Financial income</b>							
December 2022		633			<b>633</b>	5,219	12.13%
December 2021		449			<b>449</b>	1,057	42.49%
<b>Financial charges</b>							
December 2022	(32)	(1,967)	(9)		<b>(2,008)</b>	(9,312)	21.56%
December 2021	(43)	(3,284)	(5)		<b>(3,331)</b>	(9,983)	33.37%

The following table summarises cash flows with related parties and their percentage out of the cash flow indicated in the cash flow statement:

(in Euro thousands)	<b>Total cash flow statement account</b>	<i>of which related parties</i>	<b>% on total account items</b>
Profit for the year	15,930	(41,863)	(263)%
Investment income/Charges	183	183	100%
Financial income	5,219	633	12%
Financial charges	(9,312)	(2,009)	22%
Increase/(Decrease) in trade payables	13,763	18,535	135%
Decrease/(Increase) in trade receivables	(62,411)	(67,186)	108%
Changes in other assets and liabilities	(5,189)	4,567	(88)%
Net changes in current and non-current financial assets and liabilities	(6,072)	(67)	1%
Distribution of dividends	(6,046)	(3,576)	59%

## 12. REMUNERATION AND BENEFITS OF THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT

The remuneration and benefits in favour of members of the Board of Directors and Senior Executives and the compensations due to the members of the Board of Statutory Auditors are presented below:

<b>Director and Statutory Auditor fees</b> (in Euro thousands)	<b>December 2022</b>
Short-term benefits	4,677
Other long-term employee benefits	50
<b>Total</b>	<b>4,727</b>

<b>Senior Executive fees</b> (in Euro thousands)	<b>December 2022</b>
Short-term benefits	2,198
Other long-term employee benefits	94
<b>Total</b>	<b>2,292</b>

## 13. OTHER INFORMATION

### 13.1 Commitments and risks

#### Other commitments

At December 31, 2022, the parent company Aquafil S.p.A. provided sureties in favour of credit institutions in the interest of subsidiaries, companies subject to the control of the parent company and third parties for a total of Euro 22,589 thousand.

#### Contingent liabilities

Provided below is a list of fiscal positions and disputed defined and pending as at the balance sheet date that concern the Parent Company, Aquafil S.p.A. We are not aware of the existence of further disputes or proceedings that are likely to have significant repercussions on the Group's economic and financial situation.

#### (i) Tax audit Aqualeuna GmbH

The company Aqualeuna GmbH was involved in a tax audit by the competent German federal tax office in Leuna concerning inter-company transactions. On July 15, 2021, the company was notified by the German tax administration's audits unit in Halle of the conclusion of the tax audits for fiscal years 2013-2017. The upward adjustment to Aqualeuna's assessable income concerned:

- (a) for the period 2013-2015, not subject to international cooperation with the Italian administration, for Euro 735 thousand, offset by the equal utilisation of the company's prior year losses;
- (b) for the period 2016, subject to joint audit by the two administrations, upward adjustment for Aqualeuna of Euro 1.4 million, with corresponding equal adjustment to the benefit of Aquafil in Italy, for which during the first half of 2022 the corresponding adjustment was made official by the Trento Provincial Office. In fact, on July 26, 2022, the Office recognised the amount of Euro 410 thousand upon closure of the reimbursement file and therefore without impact on the consolidated results;
- (c) for the 2017 period, not subject to joint audit by the two administrations, upward adjustment for Aqualeuna of Euro 3.7 million and the submission of a request to recognise a decrease in IRES and IRAP assessable income, filed by Aquafil on January 21, 2022. Given the use of past losses of Aqualeuna, the increased taxes for the company for 2013-2017 came to Euro 207 thousand. Aquafil, on January 21, 2022, forwarded to the International Dispute Resolution and Prevention Office of the Large Taxpayers Central Directorate in Rome of the Tax Agency a special Application pursuant to Article 31-quater, paragraph 1, letter c) of Presidential Decree September 29, 1973, No. 600 for the unilateral recognition for IRES and IRAP purposes of the downward adjustment of income against the upward adjustment amounting to Euro 3,733 thousand made in Germany for the stated tax period; the initiation of the procedures provided for in Arbitration Convention No. 90/436/EEC of July 23, 1990, on the elimination of double taxation in the case of adjustments to profits of associated companies. On December 22, 2022, the aforementioned International Dispute Resolution and Prevention Office notified the Company that the mutual agreement procedure pursuant to Article 6 of Arbitration Convention No. 90/436/EEC resulted in an agreement being reached between the competent Italian and German Authorities on the basis of which it was agreed to confirm the adjustments made by the German tax authorities in the amount of Euro 3,733 thousand and to recognise Aquafil the same amount as a corresponding adjustment by the Italian tax authorities.

The German competent authority sent a similar notice to Aqualeuna.

Both companies have sent acceptance of the agreement in relation to the year 2017 to their respective competent authorities. Similarly to 2016, on February 15, 2023 the Company submitted, pursuant to Article 3, paragraph 1, of Law No. 99 of March 22, 1993, a refund application for IRES and IRAP purposes to the Provincial Directorate of Trento for Euro 997 thousand (Euro 896 thousand for IRES, Euro 101 thousand for IRAP) and thus awaits the refund authorisation measure.

For fiscal years 2018 and 2019, not the subject of the aforementioned audits and during which Aqualeuna recognised further tax losses, the German tax administration began another audit in September 2021, requesting that the Italian tax administration launch a joint audit similar to the one conducted for 2016. For these years, too, in the event of either a joint audit or the start of out-of-court settlement followed by arbitration, any increases demanded in Germany are expected to be adjusted in Italy. Therefore, given all of the above, and as supported by the opinion of tax consultants, this potential liability is not deemed to be measurable and is, in any event, not probable. For this reason, no allocation to provisions for risks has been recognised. The German Tax Administration Finanzamt Halle, after analysing the documentation produced by Aqualeuna, made available audit reports No. 1 dated 9/11/2022 and No. 2 dated 16/11/2022. It can be inferred from the reports that Finanzamt Halle intends to: (i) disallow the deductibility for Aqualeuna of the plant renovation and closure expenses incurred by the company in 2018 (approx. Euro 2,301 thousand) and 2019 (approx. Euro 4,000 thousand); (ii) in continuity with the previous audit, apply the mark-up of 1.4% to the total production costs of semi-finished products produced by Aqualeuna for the Company (the correction/recovery would be approx. Euro 162 thousand and approx. Euro 1,077 thousand for 2018 and 2019, respectively).



Since it has not yet been concluded (Aqualeuna, in its memorandum submitted on 1/25/2023, has in any case strongly contested these possible findings), it is not possible at this stage to provide an opinion on the outcome of the audits for the 2018 and 2019 tax periods. Moreover, and consistent with that previously expressed in relation to the previous audit, it shall in any case be possible also with reference to these years that Aquafil will initiate, as it did for the 2017 tax period, the procedure set out in Article 31-*quater*, lett. c) of Presidential Decree No. 600/1973, with the consequence that it will in any case be reasonably certain that, upon the outcome of the relevant procedures, the competent authorities of the two States will take pursuant to Directive 2017/1852 (implemented in Italy by Legislative Decree No. 49 of June 10, 2020) a decision by mutual agreement (guaranteed outcome) aimed at eliminating the double taxation that might arise at Group level. Any upward adjustment in taxable income imposed in Germany by Aqualeuna for its transactions with Aquafil can thus be neutralized by a corresponding opposing adjustment granted to the latter by the Tax Agency.

(ii) “ACE” tax deduction appeal

On October 24, 2022, the Large Taxpayers Central Directorate responded to the ACE petition filed by the Company on July 5, 2022 with reference to the 2021 tax year, expressing a favourable opinion regarding the request for the disapplication of the anti-avoidance rules set forth in Article 10, paragraphs 2 and 3 (a) and (c) of the new ACE Decree.

The application was submitted in continuity with previous tax periods (2019 and 2020), in relation to which the Central Directorate issued a favourable opinion.

(iii) Settlement notice for registry tax on sale of Aquafil EP S.p.A.

On December 21, 2017, the Trento provincial office of the Italian tax administration issued Aquafil S.p.A. and Domo Chemicals Italy S.r.l. a settlement notice for registration tax, demanding a proportionate tax of 3% on the sale of the share package of Aquafil EP S.p.A. (later becoming Domo Engineering Plastic S.p.A.) on May 31, 2013, in the amount of Euro 1.3 million plus interest of Euro 210 thousand. Domo Chemicals Italy S.r.l. has provided for the payment of 100% of the tax plus interest, to which Aquafil contributed half of the total sum. On September 27, 2021, prior to the hearing, the Trento office notified the companies of the self-protection nullification of the notice and of the decision to refund the amount paid. On January 11, 2022, the Trento Provincial Commission issued notice that the matter was declared closed. The relevant office of the Tax Agency, in May and June 2022, fully reimbursed Aquafil S.p.A. and Domo Chemicals Italy S.r.l. the registration tax of Euro 1,562 thousand, divided equally, plus statutory interest. This tax had been paid by Domo Chemicals Italy S.r.l. on February 16. The tax and interest credit received by Aquafil S.p.A. amounted to Euro 840 thousand.

(iv) Audit of income tax and IRAP for 2015

In February 2019, the Trento Office of the Italian tax authority launched a general audit of the 2015 tax period for Aquafil S.p.A., which concluded with the notification, on June 14, 2019, of a tax assessment, funnelled into the assessments notified on October 8, 2021, and November 16, 2021, that revealed a number of findings in relation to transfer pricing, without penalties given that the transfer pricing documentation was deemed to be sufficient.

On May 5, 2022, following the submission of an application for an agreed settlement for IRES purposes, while restating the correctness of its conduct and solely in order to avoid a lengthy and exhausting dispute, the Company agreed to settle the IRES assessment notice as follows: IRES settlement Euro 1,568 thousand, higher IRES Euro 431 thousand, sanctions Euro 3 thousand and interest Euro 18 thousand.

On May 27, 2022, following the agreed settlement of higher ICT service revenues also relevant for IRAP purposes, the Company signed the mediation agreement drawn up by the Trento Office based on the same amounts defined for the IRES settlement. The amount settled in mediation was total IRAP recoveries of Euro 954 thousand, higher IRAP Euro 18 thousand, penalties Euro 2 thousand and interest of Euro 4 thousand.

As of the reporting date of the 2022 annual financial statements, therefore, the assessment notices for 2015 have therefore been fully settled.

(v) Suspension of VAT refund – 2019 fiscal year

On June 22, 2020, the Company filed for a VAT refund in the amount of Euro 488,147 by way of the 2020 tax return (for 2019 income). The reason given was the lower excess credit not transferable for the payment of group VAT (as per Articles 33 and 73 of Italian Presidential Decree 633/1972). On June 17, 2022, the Tax Office, after lengthy investigative and documentary verification activities, notified the Company of the recognition of the 2019 annual VAT credit requested for reimbursement in the amount of Euro 488 thousand, and also in June settled the entire amount, including interest, as required by law.

(vi) Initiation of audit for direct taxes on 2016, 2017, 2018 and 2019 tax years

On May 11, 2022, the Trento Tax Agency notified the Company of four notices of the initiation of an audit on the 2016, 2017, 2018 and 2019 tax years, with reference to the transfer prices charged by Aquafil to overseas subsidiaries for IT services, in addition to the interest rates applied on loan agreements.

On June 7, 2022, the Company delivered to the Tax Office all the required documentation under the citations.

On August 26, 2022 and August 30, 2022, the Trento Office notified the Company of two citations (IRES and IRAP) issued pursuant to Article 5-*ter* of Legislative Decree No. 218/1997 for the establishment of a ruling with reference to the 2016 tax period, which includes a potential tax recovery of a total of Euro 1,287 thousand:

On September 15, 2022, the case involving both invited parties began, in which the many aspects that were not agreeable, both in the *“an et quantum”* (“if and how much”) were highlighted, agreeing to the drafting of a brief filed on October 3, 2022.

On November 22, 2022, while reaffirming the legitimacy of its conduct, and solely in order to avoid long and exhausting litigation, the Company reached an agreed settlement, after submission of the IPEC Application by the consolidating company Aquafin Holding, paying the amount of Euro 16 thousand (IRAP and interest).

Total IRES and IRAP recoveries settled amounted to Euro 1,016 thousand, resulting in higher IRES of Euro 279 thousand, higher IRAP of Euro 13 thousand and interest of Euro 3 thousand.

To date, with respect to the 2017, 2018 and 2019 tax periods, no findings of the Tax Office have been moved in relation to these audits. At present, therefore, any quantification of contingent liabilities is considered premature, as it is necessary to await the development of the Tax Office’s investigative activities for the proper estimation of the findings.

## 13.2 Significant events after December 31, 2022

1. With regard to the **purchase of treasury shares** as approved by the Aquafil S.p.A. shareholders on October 20, 2021, which brought total treasury shares purchased to Euro 8,014,530.59, as detailed above, it should be noted that, in January 2023, Aquafil continued to purchase shares up to a total of 1,278,450 treasury shares held, equal to 2.4961% of the share capital for a total value of Euro 8,612,054. The authorisation by shareholders has a validity of 18 months from the date of the related resolution and authorises the purchase, in one or more tranches, of ordinary shares up to a maximum number which, taking account of the ordinary shares which may be held in portfolio by the company and by its subsidiary, does not total more than 3% of share capital. The operation is aimed at enabling the Company to purchase and/or make use of the Company’s ordinary shares for: (i) making investments and limiting anomalous changes in share prices so as to promote regular trading outside of normal fluctuations tied to market trends, while, in any event, observing applicable laws and regulations; and (ii) establishing a securities reserve for future uses in accordance with the strategies that the Company intends to pursue as payment in corporate transactions with other parties or other extraordinary uses.
2. On January 6, 2023, a new inter-company loan of USD 1.5 million from the subsidiary **Aquafil Jiaxing Co. Ltd.** was agreed for a period five years.
3. On February 17, 2023, a new intercompany loan of Euro 5 million from the subsidiary **Aquafil SLO d.o.o.** was agreed for a period five years.

These loans were taken out as part of overall Group-wide liquidity management.

### 13.3 Disclosure as per Article 1, paragraph 125 of Law No. 124 of August 4, 2017

With regards to that required by Article 1, paragraph 125 of Law 124/17, the Company recorded the following in 2022:

- (i) Euro 94 thousand relating to the sale of the external electricity distribution network produced by the photovoltaic plants;
- (ii) Euro 93 relating to training grants for Aquafil S.p.A.;
- (iii) Euro 13 thousand relating to De Minimis grants on leases;
- (iv) Euro 6,426 thousand for the energy and gas tax credit subsidy granted during the year for electricity-intensive and natural gas-intensive companies that have met the requirements under the regulations (Decree Law No. 4 of 01/27/2022);
- (v) Euro 273 thousand related to the grant recognised by the EU for the “Effective” research project (portion in the year of the grant);
- (vi) Euro 185 thousand accrued on the research and development expenses incurred in 2022 and determined as per Article 1, paragraph 35 of Law No. 190 of December 23, 2014 and subsequent amendments;
- (vii) Euro 227 thousand relating to state aid under the Industrial Sector Energy Transition Fund to partially compensate for indirect costs incurred for the emission of CO<sub>2</sub> indicated in the same application, calculated pursuant to Article 6 of Ministerial Decree November 12, 2021;
- (viii) Euro 48 thousand for the tax credit related to the purchase of capital goods and for the contribution recognized by the EU for the “Cisuflo” project (portion in the year of the grant).

With regards to any subventions, contributions or other financial benefits received by the Company in 2022 from the Tax Agency, reference should be made to the preceding paragraphs covering the tax items.

### Proposal to allocate profits or for the coverage of losses

Considering the financial and equity position of the Company, we propose the allocation of the net profit of Euro 15,930,426 as follows:

- one-twentieth, or Euro 796,521, to the legal reserve;
- Extraordinary reserve Euro 15,133,905.

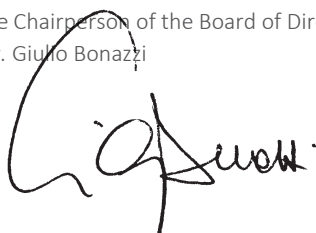
## Attachment 1 - Disclosure pursuant to Article 149-duodecies of the Consob Issuer's Regulation

The following table, drawn up pursuant to Art. 149-duodecies of the Consob Issuers' Regulation, highlights the fees charged in the year 2022 for auditing and non-auditing services rendered by this appointed independent audit firm and by the companies in its network to the company Aquafil S.p.A.


Company providing service	Recipient of service	Type of services	Fees 2022
PwC S.p.A.	Aquafil S.p.A.	Audit separate financial statements	139,028
<b>Total Audit services provided in 2022 to Aquafil S.p.A. by audit firm</b>			<b>139,028</b>
PwC S.p.A.	Aquafil S.p.A.	Audit of the statement of the 2021 research and development costs for the purposes of the tax credit Law 145/18	4,800
PwC S.p.A.	Aquafil S.p.A.	Agreed audit procedures required by the EFFECTIVE EU project	7,500
<b>Total other audit services provided in 2022 to Aquafil S.p.A. by audit firm</b>			<b>12,300</b>
<b>Total services provided in 2022 to Aquafil S.p.A.</b>			<b>151,328</b>

Arco, March 16, 2023

The Chairperson of the Board of Directors  
Mr. Giulio Bonazzi



The Executive Officer  
Mr. Sergio Calliari



# Statement of the Principal Financial Officer and the Delegated Bodies



Aquafil S.p.A.  
Via Linfano 9 - Arco (TN) – Italy  
P.I.: 09652170961

## **STATEMENT OF THE PRINCIPAL FINANCIAL OFFICER AND THE DELEGATED BODIES (art. 154-bis, comma 5) ABOUT THE FINANCIAL STATEMENTS OF AQUAFIL SPA CLOSED ON 2022/12/31 IN ACCORDANCE WITH ART 81-TER OF CONSOB REGULATION N. 11971 OF 14 MAY 1999 AND ANY SUBSEQUENT AMENDEMENTS AND ADDITIONS**

1. The **undersigned** Attilio Annoni, Managing Director, and Sergio Calliari, Principal Financial Officer ex Law 262/05 of Aquafil SpA, certify, based on art. 154-bis, commas 3-4, and Legislative Decree 58/98:

- the adequacy in relation to the firm characteristics and
- the effective implementation

of the administrative - accountability procedures aimed at preparing the financial statements as of December 31<sup>st</sup>, 2022.

2. No relevant issues arose.

3. It is also certified that the financial statements as of December 31<sup>st</sup>, 2022:

- a) are drafted based on the International Financial Reporting Standards (I.F.R.S.), recognized in the European Community in accordance with Regulation (EC) n. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
- b) match with the results of the accountability books and registrations;
- c) are appropriate to give a truthful and correct representation of the statement of the assets, liabilities, and capital of the Company.

Arco, March 16<sup>th</sup>, 2023

Managing Director

Attilio Annoni

Principal Financial Officer

Sergio Calliari

# Report on the Audit of the Financial Statement



## ***Independent auditor's report***

*in accordance with article 14 of Legislative Decree n° 39  
of 27 January 2010 and article 10 of Regulation (EU) n° 537/2014*

## ***Aquafil SpA***

***Financial Statements as of 31 dicembre 2022***



## **Independent auditor's report**

*in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) n° 537/2014*

To the shareholders of  
Aquafil SpA

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### **Report on the Audit of the Financial Statements**

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#### **Opinion**

We have audited the financial statements of Aquafil SpA (the Company), which comprise the statement of financial position as of 31 December 2022, the income statement, the statement of comprehensive income and the statement of changes in equity, the statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2022, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

#### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of this report. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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#### **PricewaterhouseCoopers SpA**

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**Key audit matters**

**Auditing procedures performed in response to key audit matters**

**Recoverability of the value of investments in subsidiaries**

*Note 7.3 to the financial statements “Current and non-current financial assets”*

The financial statements of Aquafil SpA as at 31 December 2022 include investments in subsidiaries amounting to Euro 307.915 thousand equal to 47,4% of total assets. Investments are recorded at cost.

At least once a year, the Company’s management analyses each investment focusing on the companies for which the book value exceeds the corresponding share of equity. If, following such analysis, there are indicators which might lead to presume a loss in value of the investments, management carries out an impairment test.

Considering the significance of this item and of the elements of estimate inherent in the evaluations, we identified the valuation of investments as a key audit matter, with reference to the existence of any impairment indicator relating to subsidiaries, the appropriate application of impairment tests and the recognition thereof in the financial statements of the correct value of the investments.

The audit procedures carried out consisted in understanding and assessing the internal control system, the examination and discussion with the Company’s management of the subsidiaries’ financial performance, as well as assessing the existence of any impairment indicator as provided for in IAS 36 (“Impairment of Assets”).

We also obtained and analysed the results of the work performed, on the basis of our instructions, by the audit teams of the subsidiaries on the reporting used for the consolidated financial statements in order to verify whether there was any impairment indicator.

In the event there was an indicator that led to presume a loss in value of investments, we discussed with management the conclusions reached by them based on the impairment test, which we verified as set down in the specific internal procedure and in accordance with IAS 36. Specifically, we examined the methods to work out the projected cash flows used to calculate the value in use and methods of application of the discounted cash flow mathematical model, debt positions excluded.

We also verified the consistency of the projections used compared to the management’s updated plans, as well as the reasonability of cash flows. Within this context we verified the adequacy of the adjustments to the book value of equity investments; it should be specified that, lacking prices in active markets, the fair value less costs to sell was approximated to a value not exceeding the value in use.




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**Key audit matters**

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**Auditing procedures performed in response to key audit matters**

Finally, we verified the completeness and accuracy of the disclosures in the notes to the financial statements.

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**Revenue recognition**

*Paragraph 2.3. "Accounting standards and valuation methods" item "Revenues and costs"*

At 31 December 2022, revenues of Aquafil SpA amounted to Euro 694.343 thousand, mainly due to the sale of finished products. These revenues are recognised in the financial statements when control of the goods produced is transferred and only if all criteria under IFRS 15 ("Revenue from contracts with customers") are met.

As part of our audit procedures on the separate financial statements, the correct recognition of revenues was considered as a key area, since it represents the most significant P&L item and an incorrect recognition of them would cause a considerable alteration of the result for the year.

The audit approach preliminarily consisted in understanding and assessing the internal control system and of the procedures set by the Company for the recognition of revenues from sale.

The audit approach then provided to perform compliance testing on key controls put in place by the Company as part of the above-mentioned procedures, in order to verify the operating efficacy of such controls in the context of the revenue recognition process, with particular reference to the existence of such revenues and their recognition in the correct accrual period.

Taking into account the understanding, assessment and validation of the internal controls mentioned above, we planned and performed validity tests on the relevant financial statement item. In particular we verified, in relation to a sample deemed representative, the existence and accuracy of revenues recognised in the financial statements, by examining the information included in the available documentation as supporting evidence.

Our checks included, on a sample basis, returned goods and credit notes issued, as well as period-end accruals.

We also verified the reconciliation of the intercompany balances being analysed by each auditor of the group companies.

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### ***Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements***

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- we identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing



- an opinion on the effectiveness of the Company's internal control;
- we evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- we concluded on the appropriateness of director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- we evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate the related risks, or safeguards applied.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

#### ***Additional Disclosures required by Article 10 of Regulation (EU) n° 537/2014***

On 30 January 2018, the shareholders of Aquafil SpA in general meeting engaged us to perform the statutory audit of the Company's and consolidated financial statements for the years ending 31 December 2017 to 31 December 2025.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) n° 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the board of statutory auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.



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## **Report on Compliance with other Laws and Regulations**

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### **Opinion on compliance with the provisions of Commission Delegated Regulation (EU) 2019/815**

The directors of Aquafil SpA are responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 concerning regulatory technical standards on the specification of a single electronic reporting format (ESEF - European Single Electronic Format) (hereinafter, the "Commission Delegated Regulation") to the financial statements as of 31 December 2022, to be included in the annual report.

We have performed the procedures specified in auditing standard (SA Italia) No. 700B in order to express an opinion on the compliance of the financial statements with the provisions of the Commission Delegated Regulation.

In our opinion, the financial statements as of 31 December 2022 have been prepared in XHTML format in compliance with the provisions of the Commission Delegated Regulation.

### **Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98**

The Directors of Aquafil SpA is responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the Company as of 31 December 2022, including their consistency with the relevant financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree 58/98, with the financial statements of Aquafil SpA as of 31 December 2022 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of Aquafil SpA as of 31 December 2022 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Trento, 27 March 2023

PricewaterhouseCoopers SpA

*Signed by*

Alberto Michelotti  
(Partner)

*This report has been translated into the English language from the original, which was issued in Italian, solely for the convenience of international readers.*

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