Ontex

Integrated annual report 2021

CONTENTS

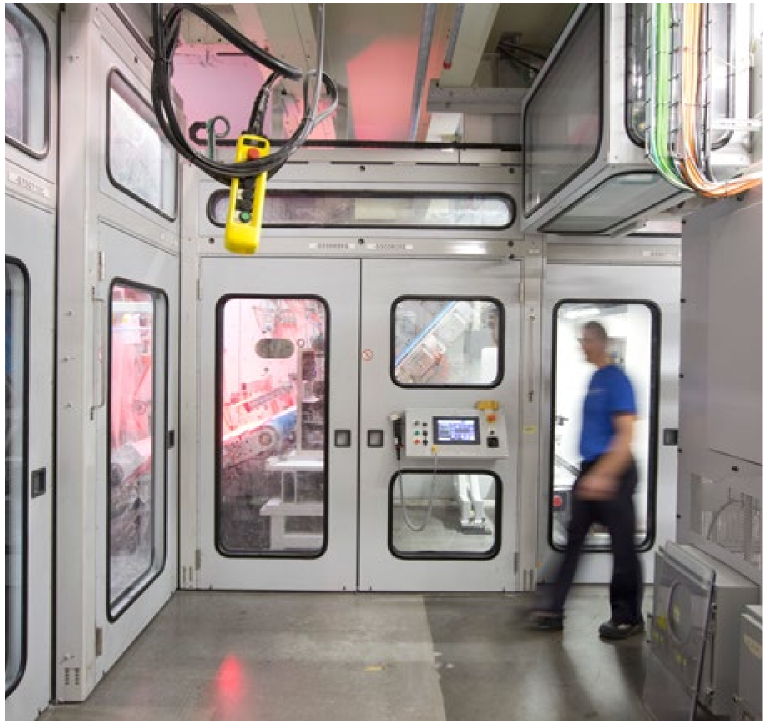
STRATEGIC REPORT

CORPORATE GOVERNANCE REPORT

FINANCIAL STATEMENTS

SUSTAINABILITY STATEMENTS

ADDITIONAL INFORMATION



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https://ontex.com

Find out more online and download a printable pdf.

ABOUT ONTEX

Ontex is an international personal hygiene products group with more than 40 years of experience in responding to the complexities and opportunities of a dynamic and growing sector. We create a world where everyone can embrace life's many changes.

Who we are

We supply personal hygiene products and solutions to partner brands and healthcare providers and have developed our own brands in Baby, Feminine and Adult Care in 110 markets across Europe, the Americas, Russia, Middle East, Africa, Asia, New Zealand and Australia.

The "New Ontex"

Under new leadership, Ontex is implementing a new strategy to return to profitable growth. This will enable the company to strengthen its leading position in the European market and maintain strong growth in North America, focused on healthcare and partner brands.

Our six strategic priorities

This strategy is focused on six priorities:

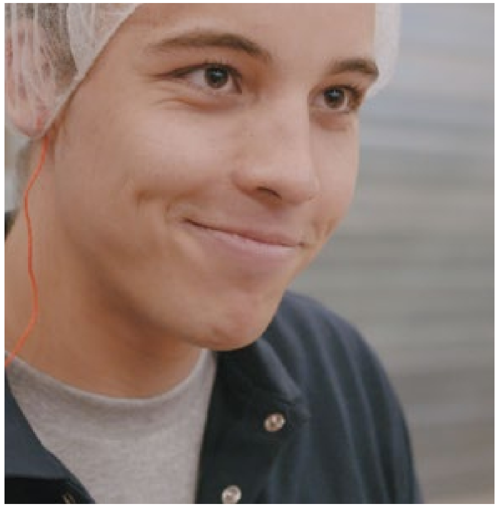
- **Portfolio Focus –** simplifying the business and product portfolio
- **Customer Centricity –** strengthening customer relationships and restoring growth
- **Product innovation –** accelerating the cadence of innovation
- **Operational excellence –** improving cost competitiveness and service levels
- **Environment & Social –** deploying 4-point agenda with circular solutions, sustainable supply chain, climate action and transparency
- **Organization & Culture –** transform the culture, drive accountability and performance, review organizational design to accelerate time to market.

Our 2021 achievements

A number of significant strategic actions were delivered in 2021.

The group was streamlined. To better serve our customers, we have merged our European business with our Healtcare busines. All innovation and supply chain activities were bundled globally, creating a platform to increase productivity and efficiency across the portfolio. This reorganization has resulted in savings of €17 million on SG&A and unlocked synergies in our supply chain of €58 million in 2021.

We have invested in our capabilities within baby pants and adult care to advance our participation in these higher value added categories. We also invested in our North America division with a new plant in Stokesdale, North Carolina. This plant was built in 2021 and will begin production in 2022. This makes us the only supplier with coast-to-coast production capabilities and will enhance our product innovation in this market. Finally, the Ontex Group has taken the strategic decision to focus on its partner and healthcare brand business, which is mainly based in Europe and North America. We are also exploring strategic alternatives for our emerging markets activities, which are mainly based on our own brands. With the New Ontex strategy, our business is transforming and we are poised for growth.



~9,000
Employees

70+
Nationalities

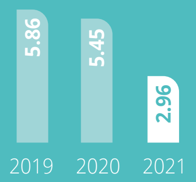
19
Production facilities

24
Sales and marketing sites

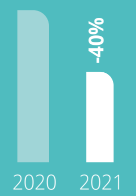
7
R&D centers

2,026 M€
Revenue

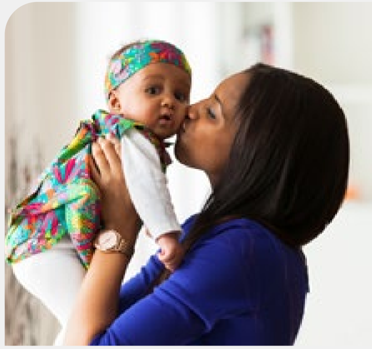
ACCIDENT FREQUENCY RATE (#/M WORKED HOURS)



REDUCTION CARBON EMISSIONS (VS 2020)



Our Categories



Baby care

This is the largest part of our business. We manufacture baby pants and baby diapers for retailers as well as our own brands. We expect to maintain and strengthen our position in this market through innovations such as the Climaflex® diaper absorption technology.

Launched in 2021, this technology positions Ontex as the first[1] retail brand manufacturer to offer diaper absorption and skin comfort levels on a par with the leading A-brands in Europe.

Our innovation strategy in this category is also focused on pants and premium diaper products with strong eco/sustainability credentials.

Adult care

Our products include pads, adult diapers and underpads sold through healthcare institutions as well as directly to retailers, other customers and consumers. This is the largest business of our combined Europe division and we have large growth ambitions in this category. This will be achieved by maintaining our strong position in the healthcare/institutional channel while accelerating expansion in retail.

A potential game-changer for growth in this category will be our 'Orizon' innovation, which we started to pilot in 2021. This app-based incontinence management solution is holding promising benefits to better support patient care and quality of life while giving back precious time to nurses and professional care givers.

Feminine care

We provide a range of products including ultra-towels, fluff towels, panty liners and tampons for retailers as well as our own brands. We focus on trading up through innovation and product mix in premium markets. We expect increased growth in this category by developing more attractive products for all our markets through synergies with our North American business.

1. https://ontex.com/wp-content/uploads/2021/12/Ontex-keeps-innovating-with-baby-diaper-absorption-technology-Climaflex-1.pdf
2. https://ontex.com/news/brands/ontex-launches-smart-diaper-service-that-enhances-continence-care-efficiency-and-dignity/

A YEAR OF CHANGE

Dear shareholder,

In the midst of volatility, we have embarked on the profound transformation that we have decided to undertake over the long term. The strategic focus of the portfolio on Partner Brands & Healthcare will be concentrated in Europe and North America going forward. These territories are well established, large and offer the greatest potential for profitable growth.

This new strategy with a clear focus has only one goal: a return to value creation and profitable growth. The building blocks created, and the transformation initiated in 2021 will endure for years to come.

The Board and the Management Committee remain confident that with Ontex's new portfolio focus and greatly reduced structural cost base, the company is set to become leaner, more agile and more profitable.

With corporate governance serving as a key catalyst for profitable growth, 5 corporate governance themes were reinforced in 2021: leadership, governance, remuneration, environment and sustainability, and investor engagement.

With respect to leadership and governance, Ontex took action on all levels.

At Board level, the Board was considerably strengthened at the May 2021 annual shareholders' meeting. We welcomed two new independent directors, Manon Janssen and Isabel Hochgesand, and Gustavo Calvo Paz, Philippe Costeletos and Rodney G. Olsen (all three nominated by ENA Investment Capital) and Jesper Hojer, nominated by GBL. Both reference shareholders are firmly committed to supporting the long-term success of Ontex.

Also the Board committees have been leveraged to address business and strategic challenges, amongst other, by the creation of a Strategy Committee and by explicitly tasking the Audit and Risk Committee with Environmental, Social and Governance (ESG) matters.

Finally, starting 2021, Ontex made clear its determination to return the company to success by electing Esther Berrozpe Galindo as its new CEO. The strengthening of Ontex's core team continued with Peter Vanneste assuming the position of Chief Financial Officer and Vincent Crepy assuming the position of Chief Supply Chain Officer in May 2021. These timely appointments bring high-level expertise to navigate Ontex through a challenging environment. In late 2021, we further strengthened the team with the appointment of Stephanie McDonald as Chief HR Officer.

Building on work performed within the Remuneration and Nomination Committee, the Board and the Executive Management initiated various initiatives aimed at strengthening succession and development management at the various levels within the organization.

These changes with respect to leadership and governance have created a strong momentum for an increased performance-based culture. With that aim the Board and management initiated a comprehensive overhaul of our executive remuneration policy. This new remuneration policy has been submitted for approval to, and approved by, the shareholders at the 2021 annual shareholders meeting.

Despite the many actions taken, financial results and market performance remained disappointing, highlighting that 2021 was a year of change for Ontex in a very challenging external environment. However, the year remains one of resilience, creativity and perseverance. With this mindset, we will continue to focus on the execution of our new strategy to restore growth and value creation.

The Board and I would like to take this opportunity to thank our shareholders for their support throughout the year.

Hans Van Bylen,
Chairman

"The Board and the Management Committee remain confident that with Ontex's new portfolio focus and greatly reduced structural cost base, the company is set to become leaner, more agile and more profitable."

HANS VAN BYLEN, CHAIRMAN

LOOKING AHEAD, BEYOND THE STORM

This annual report represents a moment of reflection on the successes and challenges of 2021 and the key priorities for 2022 and I'd like to share some of my thoughts with you here.

The least I can say is that 2021 was a challenging year for our company. However, I look back feeling proud with what we achieved and with the radical change in strategy that was initiated.

I remain confident that our new strategy, combined with the great effort and energy the Ontex team has put into our business, will enable us to weather the headwinds and political turmoil of our time and find a path to profitable growth and value creation.

Stabilization of sales

In 2021, we successfully stabilized sales as we returned to growth in the last quarter of the year and secured growth in our strategic categories - adult and baby pants. This recovery was below potential and negatively impacted by supply disruptions in a very volatile environment. Nevertheless, it is a significant turnaround that puts us back in a solid position to win new business.

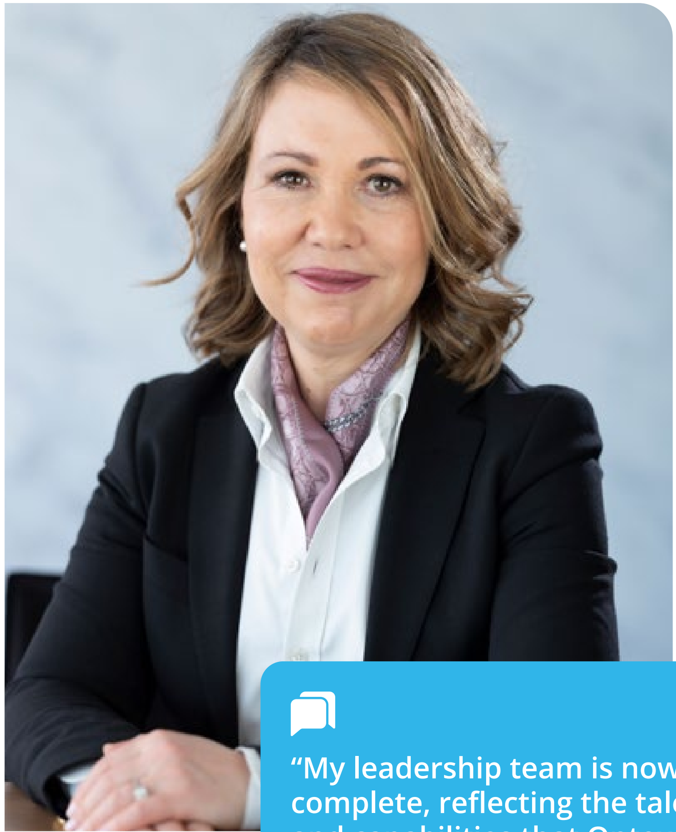
We announced an important change of strategy to create a new Ontex. From now on, Ontex will focus on Partner Brands & Healthcare in Europe and North America. It's a change in strategy that will allow us to build on our own strengths and realize the full potential of our expertise, scale and capabilities. Resulting in a leaner, more resilient and more profitable company.

Close to trends

Continuing dynamism in 2021 showed us baby pants replacing diapers in a relatively flat baby category, adult care growing in the mid-single-digits, and a continued migration of sales to online channels. This is despite some retailers announcing an increase in in-shop foot traffic following the 2020 dip.

Of particular interest is the fact that European retail brands are growing significantly faster than the market in baby pants, which is consistent with the strategy of retailers and key manufacturers to close the gap. In most categories, pricing and product mix are having a positive impact, which can also be seen in retail brands.

"We are returning to growth, with a strong focus on winning new business "
ESTHER BERROZPE GALINDO, CEO



"My leadership team is now complete, reflecting the talent and capabilities that Ontex needs to succeed in these unprecedented times. The new Ontex is leaner, more agile, and fosters a strong performance culture, from the executive level to the shop floor."

ESTHER BERROZPE GALINDO, CEO

In the U.S., all categories, including baby diapers and baby pants, are growing, supported by premiumization and mix. Unlike in Europe, retail brands in the USA grew more slowly than the market as consumers benefited from fiscal stimulus and moved to higher value price points.

Successful change comes from the ability to adapt

We see already the benefits of the strategic decisions executed in 2021. We captured significant cost savings from restructuring and delayering the organization, while moving our operations closer to our customers. We achieved gross cost savings of €75 million: lowering our SG&A. We also fast-tracked our industrial transformation, and built strong foundations that will allow us to sustain and further extend cost savings over time.

But despite strong delivery on cost savings, our gross margin deteriorated by ~4 points driven by an unprecedented inflation in raw materials and other operating costs. With inflation set to continue to rise in 2022, we plan to accelerate our cost saving efforts and execute pricing initiatives. But most of all we plan to remain as resilient as shown the past year.

Innovation at the heart

Innovation remains to be an important pillar of the Ontex strategy, and is key to success in this rapidly changing landscape. In 2021, we transformed our Innovation model, moving from a differentiated Retailer Brands vs. Own Brands approach to Global Product Platforms, to better leverage the scale of the company. We also delivered critical innovations to support our strategy, with two highlights in particular: the launch of a new pants design to increase cost competitiveness and performance in the baby category and Orizon, our smart incontinence solution.

Also climate and people remain at the heart of who we are and what we do. For years, Ontex has been developing innovations with the consumer and the planet in mind. More and more sustainable and natural solutions claim a strong position in our portfolio. This is all in close alignment with our science-based targets for climate action, and our aim to be a carbon-neutral company by 2030.

Looking ahead

2022 will be a pivotal year for Ontex, and I am confident that we will be able to improve our operational performance while reshaping the company's portfolio, restoring the health of capital structure, and revitalizing the organization to win in the market.

My leadership team is now complete, reflecting the new talent and capabilities that Ontex needs to succeed in these unprecedented times. The new Ontex is leaner, more agile, and fosters a strong performance culture, from the executive level to the shop floor. I would like to take this opportunity to thank all the employees of Ontex for their resilience and determination during a very difficult period, and I look forward to continuing to drive new achievements together.

Esther Berrozpe Galindo,
Chief Executive Officer

2021 HIGHLIGHTS

Climaflex® - taking on the diaper 'A-brands' in Europe

Climaflex is a next-generation baby diaper core technology. It makes Ontex the first retail manufacturer to offer diaper absorption even with heavy baby movement and baby comfort on par with leading A-brand advertisements in key markets in Europe. The technology has been launched under Ontex's 'Little Big Change' brand in six European countries (Austria, Belgium, France, Germany, Luxembourg, The Netherlands). It will be rolled out across other retailer diaper brands in 2022.

Ontex has several granted and pending patents protecting the inventions that make up Climaflex, covering Europe, the US and Mexico.

→ *SEE PAGE 39 FOR MORE DETAILS*

Breaking new ground on CO_2 targets

Ontex broke new ground in September 2021 on a large solar installation at its factory in Ortona, Italy.

The installation – the largest in Italy for on-site solar power generation and consumption - will produce 11.6 GWh of electricity per year, equivalent to the yearly consumption of more than 3,500 households.

All Ontex group factories in Europe run on 100% renewable electricity. And the company is continuing to develop more solar power installations at its European and North American plants.

"As demand for sustainably produced electricity is expected to increase, we prefer to have direct access to electricity that is produced onsite in a sustainable way," said Annick De Poorter, Ontex EVP for R&D and Sustainability. "We can now produce more than a quarter of the electricity we need to manufacture essential hygiene goods at our factory in Italy. This is another step towards our goal to have carbon- neutral operations by 2030."

→ *SEE PAGE 21 FOR MORE DETAILS*

Ontex helping to make diaper recycling a reality

Ontex has partnered with Belgian start-up Woosh on an ambitious diaper recycling service.

Woosh launched its delivery and collection service of Ontex's Little Big Change diapers for nurseries last April in the Belgian city of Mechelen. By 2023, it aims to reach 1,000 nurseries in Belgium and expand its service to other European countries. For Ontex, the partnership is another step in its commitment towards finding alternatives to landfill and incineration for disposable used diapers.

"In a nursery, diaper waste is a daily challenge," said Fatima Arbaji of Het Zandkasteel nursery in Mechelen. "Approaching diaper waste in an ecological way is certainly not straightforward. We tested the Little Big Change diapers and are happy with the result. It's a good feeling to help address the environmental challenge related to diaper waste."

→ *SEE PAGE 26 FOR MORE DETAILS*

Coming full circle with compostable diapers

Ontex has joined forces with Les Alchemistes, a French circular economy company which is aiming to compost 500 million diapers by 2030.

"Our goal is to make the separate collection and composting of used, compostable diapers a reality", said Maïwenn Mollet, director of the Fertile Diapers program at Les Alchimistes. "We are very happy that Ontex and their brand Little Big Change are joining our mission. Ontex has the engineering knowledge and resources to design diapers that can be compostable."

Ontex and Les Alchimistes have set up a pilot project at Les Alchimistes' industrial composting site near Paris with the aim of proving that composting of Ontex diaper pads is possible.

The Ontex Little Big Change brand has developed a new diaper system. This consists of a reusable outer diaper made of cotton and a disposable diaper pad designed to be industrially compostable.

→ *SEE PAGE 24 FOR MORE DETAILS*

Ontex ramps up North American operations

Ontex's new manufacturing facility in Rockingham County, North Carolina is scheduled to begin production in Q1 2022. The North Carolina location was selected because approximately half the U.S. population lives within a 1,000 km/650-mile radius. This development gives Ontex coast-to-coast sourcing flexibility in the North American market.

In an earlier move to build capacity in North America, Ontex acquired the assets of Albaad Massout Yitshak Ltd, another personal hygiene products company operating in Rockingham County. The 2020 deal included the acquisition of diaper production lines and feminine production line assets.

→ *SEE PAGE 42 FOR MORE DETAILS*

New beginnings in Germany

The Ontex manufacturing plant in Mayen, Germany will cease production in mid-2022, but the location will continue to play a pivotal role in the Ontex story.

As production winds down, work will continue on making the Mayen plant a new Ontex Center of Excellence for Global Process Engineering and Global Platform Innovation.

"Choices needed to be made, and as Mayen's production capacity was not fully utilized, we have decided that Mayen's role in the group will be to focus on Global Process Engineering and Global Platform Innovation for the Ontex Group. It will be one of the driving locations to bring innovation even faster to the market", said Markus van Gumpel, VP Manufacturing Europe.

→ *SEE PAGE 42 FOR MORE DETAILS*

Ontex reaches out to families in need

Ontex Santé France donated more than 469,000 baby diapers last December to families in need around its factory in Dourges, northern France.

"For families who live in poverty, the purchase of baby diapers disproportionally impacts their family budget, especially for single parents or large families. People that were already financially struggling before the pandemic started struggle even more today", said Fabienne Berquier, of the Red Cross which distributed the Ontex diapers. "This important donation by Ontex helps us to fulfil an urgent need during the coldest and one of the most expensive months of the year for many local families."

Between the start of the pandemic until the end of 2021, Ontex donated more than 5.1 million product items in 14 countries on four continents. "For many years, and as part of our sustainability strategy, we have been donating locally and try to reach the most vulnerable groups in society, such as the elderly in poverty, families with financial difficulties and refugees," said Stéphanie Durot, general manager for Ontex in France and the Benelux countries.

→ *VISIT ONTEX.COM FOR MORE DETAILS*

Creating a learning culture - online

In 2021, Ontex office-based employees around the world dived into the digital learning adventure. They were given access to LinkedIn Learning, a digital library of more than 16,000 training courses across eight languages. The platform has both micro and in-depth learning modules and is accessible via mobile devices.

The online modules give employees the option of developing their skills when it suits them best. The content is personalized to the individual learner to provide professionally produced and tailor-made learning paths curated by Ontex experts.

Courses are regularly updated and new ones added every month. The response has been outstanding: with 2,069 users following more than 9,200 hours of training in 2021. Ontex people are eager to learn! So much so that Ontex was nominated to the LinkedIn Learning Talent Awards, where we featured in the top three for "Creating a Learning Culture".

→ *SEE PAGE 15 FOR MORE DETAILS*

Single supply chain organization

Our industrial transformation agenda is about unlocking significant value from our end-to-end supply chain, building on our network and scale to take performance to the next level. We have high fixed cost and a very high dependency to commodity and inflation through the 60% portion of raw materials and indirectly on other operating costs.

Headline actions here include streamlining our diverse asset base using faster equipment on harmonized platforms. This will allow us to reduce the number of lines by 20%, and as a consequence improve capacity utilization by 10 points over time.

Furthermore, we now have end-to-end accountability for bringing to the market a certain product features in a in an organized way. This is already enabling qualification in record time. Our most experienced staff are all saying that qualification has never been as good as now - fast, pragmatic and working.

→ *SEE PAGE 42 FOR MORE DETAILS*

MARKET TRENDS

Global trends

Digital
A strengthening position in e-commerce and subscription & direct-to-consumer sales, especially in adult care through our partner brands, leading retailers and lifestyle brands.

Sustainability
Revised 2030 strategy with clear KPIs to respond to demand from investors, customers and consumers for more sustainable products.

Supply chain volatility
The unprecedented supply chain disruption and raw materials' inflation experienced in 2021 will continue in 2022.

Demographics
An ageing population in Europe and North America will continue to provide structural clearly identified growth opportunities.

Opportunities for sustained growth

Ontex is well placed to leverage steady and sustained growth based on global socio-demographic trends. These include:

- The ageing population, more active and informed, rising number of people over 65 in our European and North American markets
- Increased disposable income levels in developing economies
- Accelerating demand for sustainable products, lifestyle brands, and 'smart' app-based innovations
- The growth of e-commerce and direct-to-consumer sales in all our categories.

Baby Care

Rising birth rates in developing economies will continue to offer potential. Growth will be stimulated by consumers switching to more convenient products. Most of the value growth in this category is coming from mix: baby pants and more premium products increased sales of higher margin baby pants. In Europe, our new Climaflex technology positions us to take on the A-brands.

→ *READ MORE, PG 39*

Adult Care

The rising numbers of elderly people and active older people in our mature markets will drive steady growth. There is also a trend froor more premium products: towards higher margin pants and light incontinence products. And care institutions are increasingly looking for integrated incontinence solutions such as the 'Orizon' solution Ontex is rolling out.

→ *READ MORE, PG 39*

Feminine Care

Economic development in emerging economies points to a further growth opportunity. In mature markets, there is an opportunity in the increased demand for more sustainable products.

"Our ambition is to move towards circular product and packaging solutions. Together with our partners, we want to create an ecosystem that enables the reuse, recycling and composting of our products. As a first example, the start-up Woosh was created in 2021 with the support of Ontex, to create a diaper recycling ecosystem in Belgium. Secondly, Ontex has conducted several studies with industrial composting company Les Alchimistes in 2021 to prove the compostability of diapers. As a final example, Ontex has tested a first prototype of a hybrid diaper that combines a washable outer shell with a disposable liner."

ANNICK DE POORTER, EXECUTIVE VICE-PRESIDENT R&D AND SUSTAINABILITY

OUR STRATEGY

2022 is the year that we will continue to implement the new strategic direction of Ontex, build out the reality of 'the new Ontex', based on the foundations and strategic decisions made in 2021.

A strategy fit for our times

We chose to simplify and balance our business and product portfolio.

As Ontex grew in developed and emerging Markets, with different business models – brands and retailer brands, we lost focus. Our competitive and emerging market positions did not generate the expected returns on investments.

To address this situation, we went back to basics and decided to refocus Ontex on partner brands and healthcare, automatically bringing geographical focus to Europe and North America. This is where partner brands are well established, sizeable and offer the greatest potential for profitable growth. In 2021, these markets accounted for €1.4 billion of revenues, being around 70% of the revenues of the Group.

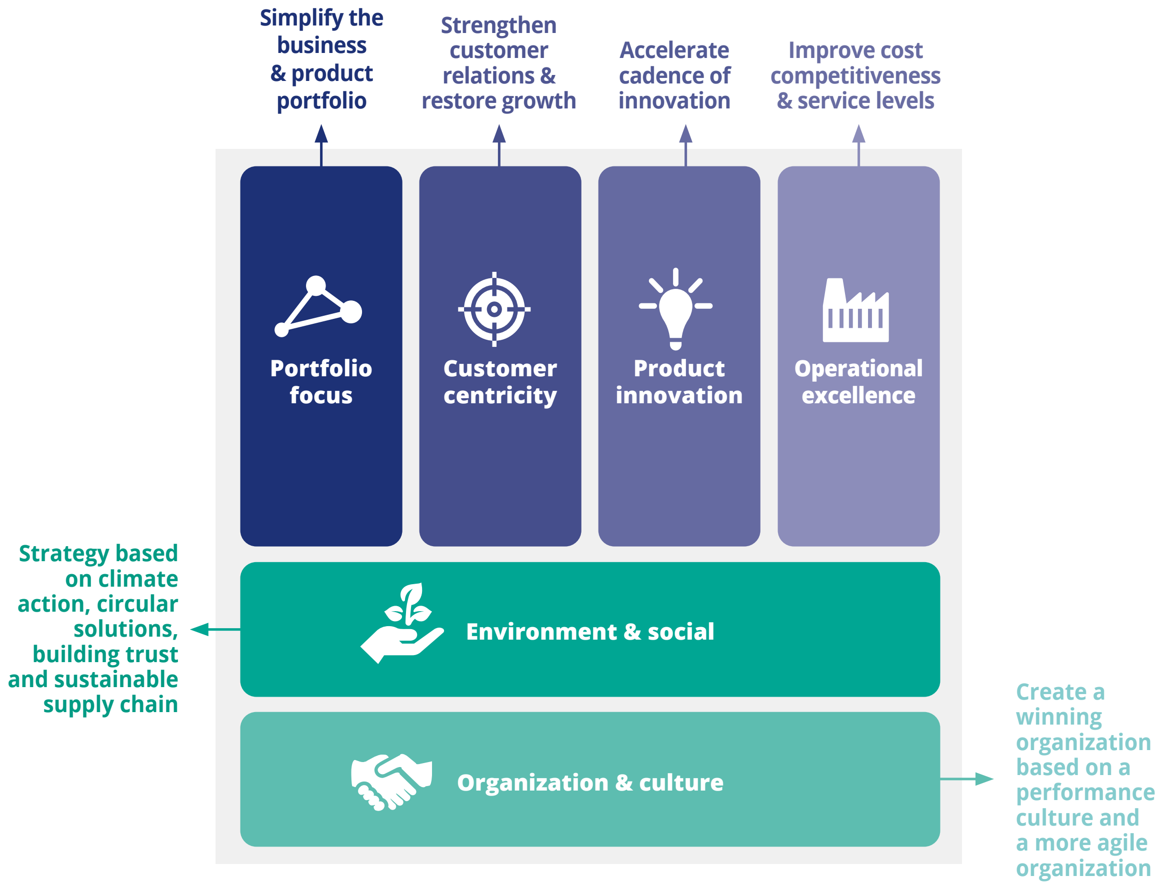
In 2022 we are actively pursuing strategic alternatives for our Emerging Markets positions.

Europe Retail turnaround driven by customer centricity

The course has been set to return the Europe business to sustained growth, through retailer brand turnaround and by repositioning our portfolio to increase our exposure to the growth pockets like baby pants, adultcare and natural and sustainable solutions.

Regaining our commercial momentum is achieved by addressing all the fundamentals - from the way we prepare tenders, to how we serve our customers and help them to grow.

Our partnership model is mutually supportive: we invest in dedicated teams and innovation in partnership with our customers to grow the category and strengthen their brands.



Increasing exposure to growth

For each product category, we have defined clear priorities to accelerate growth.

Baby care: improve positioning in growth areas, specially baby pants

Adult care: outperform the category growth by supporting our customers: retailers. Also by leveraging the homecare growth, and supporting care institutions with innovative continence management solutions.

Feminine care: Drive mix with more premium products, often linked to natural components and sustainability concerns.

Across all categories: step up our presence on-line directly or through our distributors and retail partners.

For each of these priorities, we have a multi-year plan.

A transformative agenda

Our transformation agenda is driving cost reduction and operational excellence with our suppliers, in our plants, across all the organization. We are placing the customer first in our new organizational setup, and by consolidating our focus on fewer platforms, our operations are becoming more agile, leaner and increasingly scalable.

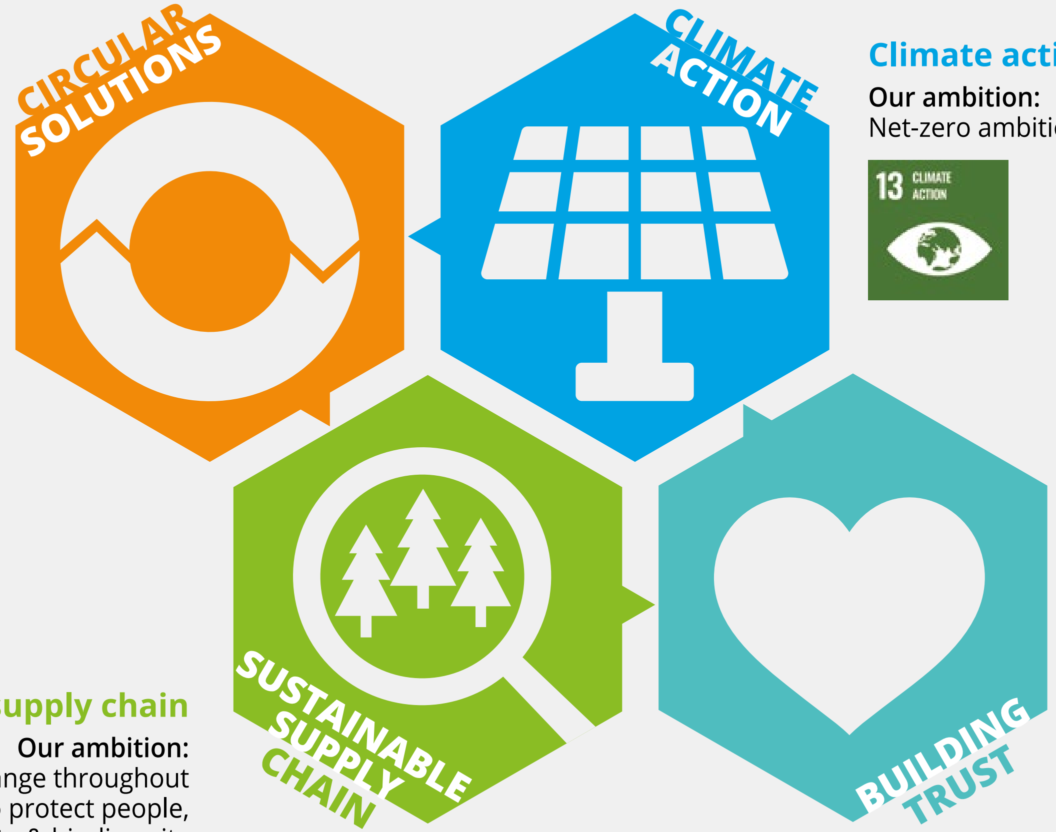
Sustainability

We are responding strategically by mainstreaming environmental and social governance into everything we do. We help our partners to develop eco-lifestyle brands. We promote circular economy with recycling and composting pilots. We secure a sustainable supply chain with resource optimization in sourcing raw materials and also using less materials. We lower emissions and transport costs by locating production close to the customer base. We also build trust by supporting local communities with donations and building out our clean energy infrastructure for climate-neutral operations by 2030.

→ *READ MORE ON ONTEX.COM/SUSTAINABILITY*

Circular solutions

Our ambition:
Circular product & packaging solutions



Climate action

Our ambition:
Net-zero ambition

Sustainable supply chain

Our ambition:
Driving positive change throughout our supply chain to protect people, climate & biodiversity

Building trust

Our ambition:
An inclusive & fair society

ORGANIZATION AND CULTURE

EMERGING FROM THE PANDEMIC WITH RENEWED PURPOSE

The pandemic and its impacts posed an unparalleled challenge to Ontex's business around the world. In spite of the difficulties, Ontex employees responded quickly and demonstrated their commitment and resilience.

The paramount priority was ensuring the safety of our teams and working with our customers to adapt to the extraordinary situation.

As an essential industry, it was the passion and commitment of our workforce that kept the business running. The level of donations of personal hygiene products and other goods and services like face masks and laptops for quarantined school children within local communities also reflected our culture and purpose - to support people through life's many changes.

And as COVID-related restrictions begin to ease across our geographies, we have a renewed spirit and determination to withstand any existing headwinds while we continue to advance our performance culture.

Leading and motivating our people

Executive pay and remuneration

In 2020, we introduced important changes to our remuneration policy which has been fully implemented in 2021. → *READ MORE ON PAGE 67*

Reorganization of our divisions

In 2021 we merged our Retail & Healthcare business units into a single division across Europe. We also embarked on an exercise to simplify the organization which helped us drive efficiency and accountability across the company. The result is an organization where managers have a wider span of control, which improves team agility and speed of decision making. This project also resulted in a centralized ownership of innovation and product portfolio, as well as an end-to-end supply chain organization with clear productivity targets for cost, quality and service. These efforts yielded €17 million in savings in 2021.

Industrial transformation

Throughout 2022, Ontex will continue to roll out new organizational & manufacturing processes. As these policies are implemented in our plants, employees are receiving the necessary training and investment in their skills to guide them towards more advanced processes.

At the same time, we will continue to retain the deep expertise we have within our workforce and increase the amount of best practice sharing amongst our operations.

As part of our industrial transformation in 2021, we have advanced our transparency and engagement agenda by increasing the information flow between management and employees. For example, we held 'town halls' in all our plants after each quarterly results and other important strategic announcements.

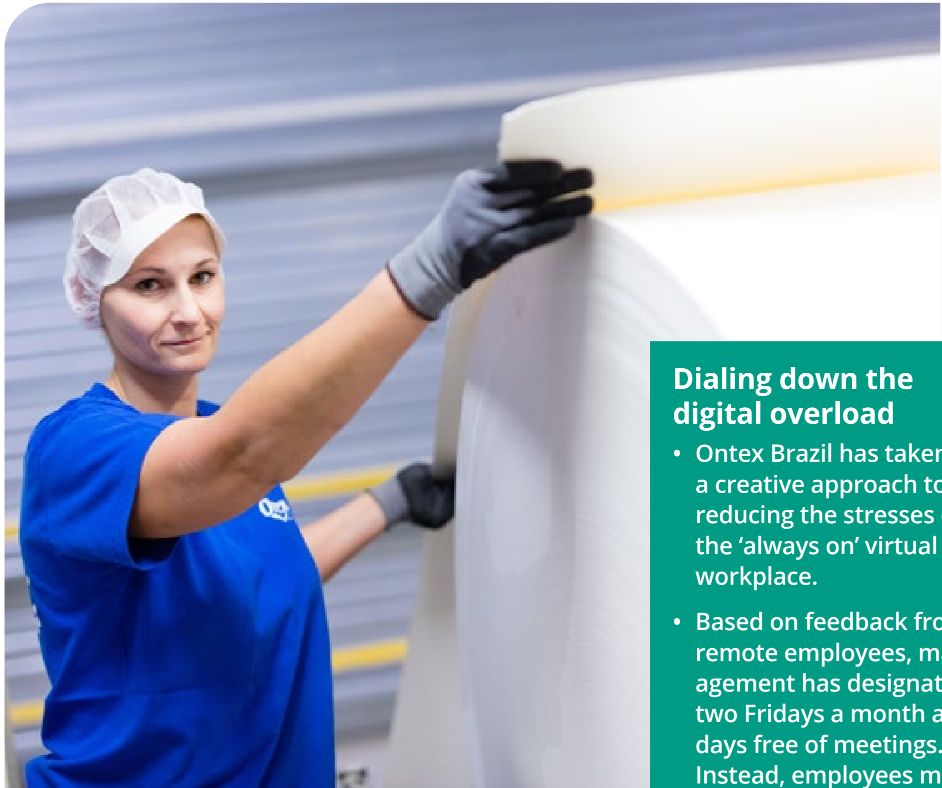
NEW REMUNERATION POLICY IMPLENTED TO DRIVE PERFORMANCE CULTURE

Previously

- Multiple rewards for the same outcomes
- Impact of FX excluded from KPIs
- Complex mix of instrument in LTIP, only 1/3 performance driven
- No ESG KPIs
- No equity requirements

Today

- Clear separation of KPIs in short- and long-term plans
- T2G incentive plan stopped
- Net Sales LFL, Profit and Cash as reported
- LTIP 100% performance shares
- Introduction of quantifiable ESG KPIs
- Introduction of equity ownership requirements for executive management



Dialing down the digital overload

- Ontex Brazil has taken a creative approach to reducing the stresses of the 'always on' virtual workplace.
- Based on feedback from remote employees, management has designated two Fridays a month as days free of meetings. Instead, employees manage their own agendas as they enjoy downtime from the sometimes intense routine of daily virtual meetings.
- Management has also set guidelines for the scheduling of daily meetings. These now take place in two time slots: 09:00-12:00 and 2:00-5:30 pm. Again, this reduces stress levels and helps remote employees strike a healthier work-life balance.

A new way of working

The pandemic forced Ontex, and many other companies, to quickly advance the digitalization and flexibility topics within the organization. We moved very quickly at the start of the pandemic to introduce important safety protocols and processes as well as implemented remote working tools and systems.

As restrictions relaxed in the summer of 2021, we implemented a hybrid working policy to bring more flexibility to our employees who could work a few days a week from home. We have also continued to expand our online learning paths and other digital supports to help keep our employees productive and engaged.

Hybrid working

Our new global hybrid working policy was launched based on the feedback from our employees and leaders. Implementation commenced in October of 2021. The reaction has been very positive so far, and will be adapted, as necessary, as time passes and we build new experiences in this way of working.

Online learning and digital supports

As remote working became mandatory in many parts of the world, we launched a tailored Ontex Learning Path to support our people in the transition into remote working. The path was launched in October 2021 and consists of nine videos, covering topics from remote work ergonomics to maximizing productivity in a home/remote work environment.

Another notable achievement has been the engagement of the workforce with our LinkedIn Learning platform. This provides online courses from industry experts in software, creative, and business skills.

In 2021, we had 2,069 active users on this platform; this is 56% of our white-collar workforce. Approximately 1,500 employees viewed the complete suite of learning updates we posted on the platform.

This level of engagement saw us achieve a top three place in the 'Creating a Culture of Learning' category of LinkedIn Learning's annual awards.

LinkedIn Learning has also sought our input as it develops a new Learning Experience Platform. And last December, Ontex was invited to be a pilot business for LinkedIn Learning's new course languages, Italian and Dutch.

OUR CULTURE

Diversity, Equity & Inclusion

Ontex strives to create a world where everyone can embrace life's many changes. To do this successfully, Ontex believes in building a culture where everyone is able to bring their best to work, are treated fairly, feel included within the organization and also feel valued for their unique perspectives and contributions.

Advancing diversity, equity & inclusion is a powerful source of performance and innovation. As a personal hygiene company with a reach in 110 global markets, we also want to understand the unique challenges, needs and preferences of the people who buy and use our products and services. This is why it is essential for us that our teams are as diverse as the markets and communities we serve.

Additionally, we have an earnest aspiration to make a positive contribution to the resolution of the broader societal issues, such as gender inequality.

Our commitment to Diversity, Equity and Inclusion (DEI) is part of our DNA as reflected in our values, our policies (such as the Diversity Policy and Equal Opportunities Charter) and our actions. Our group's DEI strategy, which was launched in 2021, is centered around the three main pillars:

- Creating a culture of inclusion
- Advancing equity
- Gender parity

In addition, we will continue enabling our local entities to determine their most relevant DEI priorities and drive related initiatives specific to their needs, their markets and their communities.

As of January 2021, Ontex has been led by its first female CEO in the history of the company - Esther Berrozpe. Esther fully believes in the power of DEI to support the delivery of the New Ontex strategy and acts as a role model to employees across our organization who now see opportunities to advance their career within Ontex. Beyond our CEO, the top management as well as the Board of Directors have strong proportions of women in leadership roles (three out of seven in top management and four out of twelve at the Board level). In addition, we have made further advancements in the representation of women across the organization, including increasing global proportion of women at management levels (from 25 to 26% in 2021), local leadership team advances in Mexico, where the share of women has gone from 0% to 40% in the last four years, recognition from French authorities for achieving high scores on gender equity in France (97%) and full gender parity in the plant leadership team of Turnov, Czech Republic.

Also in 2021, linked to this strategy, we launched our new Global Hybrid working policy. Ontex introduced this policy in response to feedback from our employees and in connection to our objective of driving a performance based culture. This policy promotes open lines of communication and empowers our employees to adjust their schedule

DEI across the Group

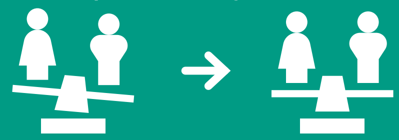
We have traditionally relied on our subsidiaries to drive diversity and inclusion initiatives directly linked to local issues and needs. While local initiatives have and will continue to make a significant impact, we realized that in order to accelerate DEI progress we needed to develop a coherent and centralized group-wide approach.

In 2021, we launched the Ontex Diversity, Equity and Inclusion strategy. The strategy maps out a roadmap until 2030:

- 2022 – Lay the foundations (Establish DEI infrastructure and governance, Revise Diversity and Inclusion Policy, Develop KPIs and measurement)
- 2023 – Strengthen the culture of inclusion
- 2024 – Focus on reducing barriers to inclusion
- 2025 – Monitor and course correct

KPIs

Gender parity in leadership positions by 2030



26%/74% female/male leadership — Status 2021

50%/50% female/male leadership — Goal 2030

Eliminating gender pay gap

The calculation methodology is currently being updated.

based on their own situation, so long as the business needs are met. It provides our employees with significantly greater flexibility and wellbeing, which enables higher levels of engagement, commitment and productivity.

Highlighted below are some of the best practices within Ontex which demonstrate our commitment to DEI across our organization.

In Spain, the local team developed and negotiated the Equity Plan, which will be applicable for the next 4 years, starting from 2022. The Plan addresses hiring and selection procedures, professional classification systems, training, promotion, working conditions, work-life balance, the underrepresentation of women, remuneration, steps to prevent sexual or gender-based harassment, and the establishment of grievance and whistleblowing procedures compatible with our global compliance policy.

In Mexico, the team relied on data insights to drive their DEI efforts. They built a local dashboard which helps them monitor gender representation in the workforce and in the candidate pipeline.

In Brazil, with the new program "Baby on Board", we now provide support to our employees and their families in this exciting and transformative phase of their lives. Under this program, the employees are entitled to personalized pregnancy monitoring, extended maternity and paternity leaves and a Baby Kit with Ontex products for the maternity ward.

20% <30 years

62% 30-50 years

18% >50 years

29% female

71% male

26% female in management

~9k employees worldwide (excluding temps)

70+ nationalities

In Italy, working mothers of Ontex participated in an online well-being program aimed at helping them manage the conflicting priorities within their lives as they worked to integrate teleworking, home-schooling and other responsibilities.

In Czech Republic, we set up a Cultural Team, comprised of various plant employees to discuss the topics important to them. Among others, the team addressed the questions of cultural diversity in the plant.

Equity is about giving equal opportunity to all genders. I**n the United Kingdom**, the local team put an extra effort in adding male nurses to the pool of job candidates to diversify the pipeline traditionally dominated by women.

While we still have work to do, all of our DEI efforts have started to yield tangible results and are improving the experience of Ontex employees everywhere.

Human rights in our operations

Respect for human rights is a fundamental part of the Ontex ethos.

In addition to our Code of Ethics, our Human Rights policy contains sound due diligence and risk assessment processes that enable us to quickly identify any potential human rights' risks in our operations.

→ *CODE OF ETHICS, SEE PAGES 30-32*

We conduct regular internal and third-party social audits to understand any imminent or actual risks. In 2021, five of our plants were audited with a focus on human rights, employment conditions, health & safety, environment and corruption.

→ *READ MORE ABOUT HUMAN RIGHTS IN OUR SUPPLY CHAIN ON PAGE 29*

Health & safety

An active and positive safety culture is critical to protecting the wellbeing of our people and end-consumers. We believe in preventive measures. We train our people regularly in health and safety matters and in awareness-raising.

We also ensure that there are open channels to allow employees raise any safety concerns. We encourage worker representation, dialogue with factory management, and worker involvement in decision-making on health and safety issues.

We aim for continuous improvement in occupational health and safety, with the ultimate goal of zero occupational accidents.

In 2021, seven of our 19 plants were accident free. Overall, we achieved an improvement of 47% on our accident frequency rate – from 5.45 in 2020 to 2.96.

ONTEX BRAND BIGFRAL WINS BIG IN SAO PAULO

Human rights seal of approval for Ontex

The Ontex adult brand Bigfral has won the Human Rights Seal awarded by the city of Sao Paulo, Brazil.

The Bigfral team was recognised for its Vetus project, which organises meetings/ workshops to help our clients and partners develop more awareness about the requirements of consumers aged over 50.

They do this by reflecting on business opportunities and challenge themselves to better understand the demands of the target audience.

There were more than 5,000 contenders for the Sao Paulo awards and this was whittled down to 63 winners.

ONTEX CEO ESTHER BERROZPE (PICTURED LEFT), DURING A VISIT TO ORTONA, ITALY IN 2021

"Ontex believes in building a culture where everyone is able to bring their best to work, are treated fairly, feel included within the organization and also feel valued for their unique perspectives and contributions."

STEPHANIE MCDONALD, CHIEF HUMAN RESOURCES OFFICER

ENVIRONMENTAL AND SOCIAL GOVERNANCE (ESG)

OUR SUSTAINABILITY STRATEGY

Our commitment to sustainability is a central pillar of the strategic plan to renew and grow Ontex.

We are experiencing a rapid shift in awareness around sustainability. Customers and consumers are seeking more sustainable personal hygiene products. Investors are integrating sustainability into their projections and decisions. Governments are fast-tracking regulations to reduce carbon emissions and build circular economies.

These changes present new opportunities and challenges for our business. We have responded by integrating sustainability across all our business functions and operations. Its governance is now firmly rooted in the organization.

This commitment was consolidated by our materiality assessment in 2021. It recognizes that while our Sustainability Strategy 2030 focuses on the right areas, we need to further expand our ambitions and accelerate our actions. Our Sustainability Strategy 2030 exists of four pillars, each of them embedded in one or more Sustainable Development Goals (SDGs).

In 2021, we redefined the goals for each pillar in our sustainability strategy to align with the outcome of the materiality assessment.

Action on climate change requires a coordinated societal approach. In 2021 Ontex joined the Belgian Alliance for Climate Action (BACA), committing ourselves to science-based climate targets across our entire value chain.

CLIMATE-NEUTRAL OPERATIONS

RADOMSKO PLANT, POLAND

There is now a universal scientific consensus that carbon emissions need to halve every decade by 2050 to prevent global temperatures rising by more than 1.5°C above pre-industrial levels. Failure to achieve this target will be catastrophic for our societies.

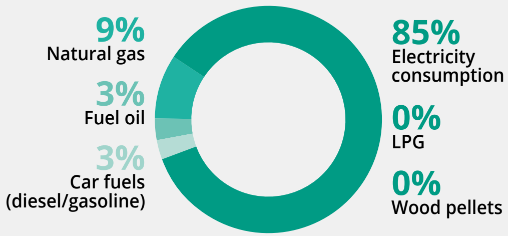
Our approach

We are committed to being part of the solution, and have already refined our targets since last year.

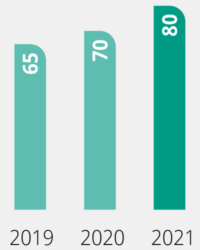
Our goals are:

- achieving net-zero operations by 2030 (Scope 1-2) compared with 2020
- reducing emissions across our value chain (Scope 3) by 25% by 2030 compared with 2020

SPLIT DIFFERENT FUELS



EVOLUTION RENEWABLE ENERGY



Actions for net-zero operations by 2030

We aim at reducing emissions across our operations (Scope 1-2) by 42% by 2030 compared with 2020. This goal has been submitted to the Science Based Target Initiative for approval. We will achieve this by:

- reducing our electricity consumption;
- completing the switch of all our plants to 100% renewable energy by 2030, and;
- compensating the remaining emissions.

Performance in 2021

In 2021 we reduced emissions across our operations by 40% compared with the base year 2020. This in line with our 2030 target.

Electricity consumption accounts for the majority of our emissions so it is the main focus of our emission reduction actions.

Several actions have been rolled out in our plants to reduce and optimize energy consumption of our operations. However, electricity consumption per finished goods increased (from 16.03 last year to 16.10 in 2021), due to the challenges that the company is currently facing.

This was, however, offset by a further roll-out of renewable energy in two additional plants, having globally 80% of renewable energy in 2021 compared with 70% last year.

We also further rolled out on-site production of electricity. To take one example, our new solar panel rooftop at our Puebla plant in Mexico.

Despite our energy consumption reductions and our switch towards renewable electricity, as a production company we will always have some carbon emissions.

"In our plant we further optimized monitoring of the main energy users. During 2021 we did several activities regarding the optimization of maintenance activities and the definition of centerline standards, focusing on the most energy-intensive lines, with the aim of stabilizing the production process and improving energy performance. We also installed a new compressor. As a result, the energy efficiency (kWh/1000 pcs) of the plant improved by 3% during the year."

ORLANDO CECI,
ORTONA PLANT, ITALY

To reach our goal of having carbon neutral operations by 2030, we will invest in compensating emissions. In 2021, six of our plants were labelled carbon neutral. We compensated the remaining emissions with our tree-planting activities in Guatemala and by investing in wind energy in Turkey, resulting in:

>1000 trees
were planted together with our Little Big Change brand and Treenation, capturing over 97.5 tCO_2

3,854 tons
of avoided CO_2 emissions through supporting the installation of wind turbines in Turkey. This is the equivalent of powering 4,014 families with renewable electricity

1000 tCO_2
sequestration by conserving 285,168 trees in Guatemala

GUATEMALA LANCANDON COMMUNITY FARMER

Value chain emissions

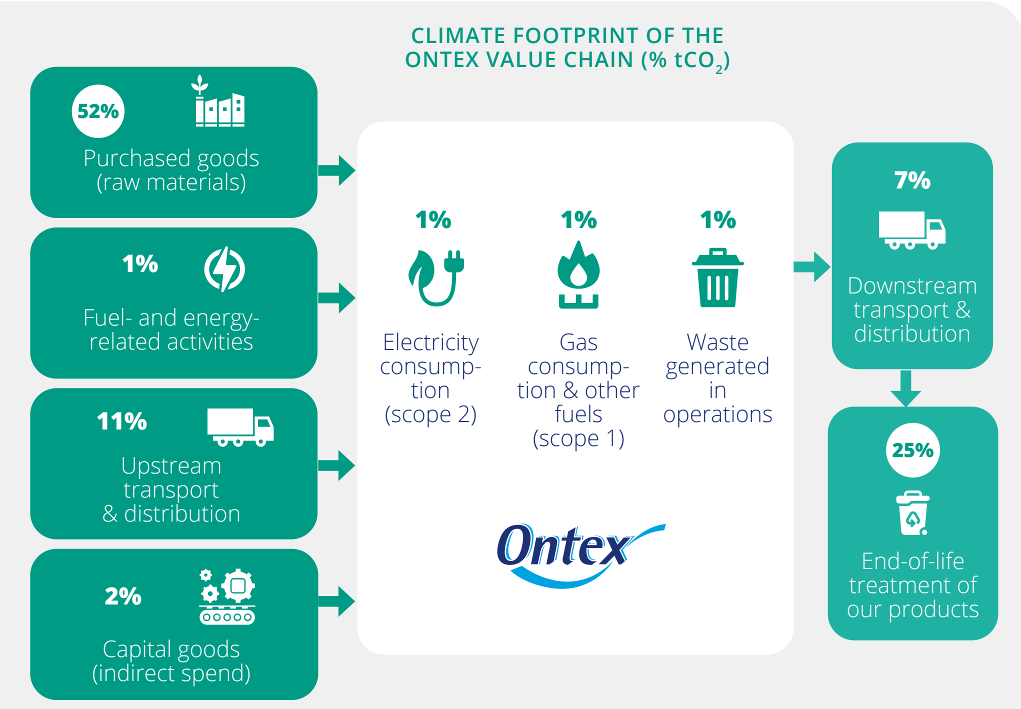
Indirect emissions generated by upstream and downstream activities account for the largest share of our carbon footprint. This makes reaching out to our value chain a vital element in our climate action strategy.

In 2021, our scope 3 emissions accounted for 2,090,644 tons CO_2eq – the majority from raw materials (52%) and end of life treatment of the products (25%).

Actions

We aim to reduce our scope 3 emissions by:

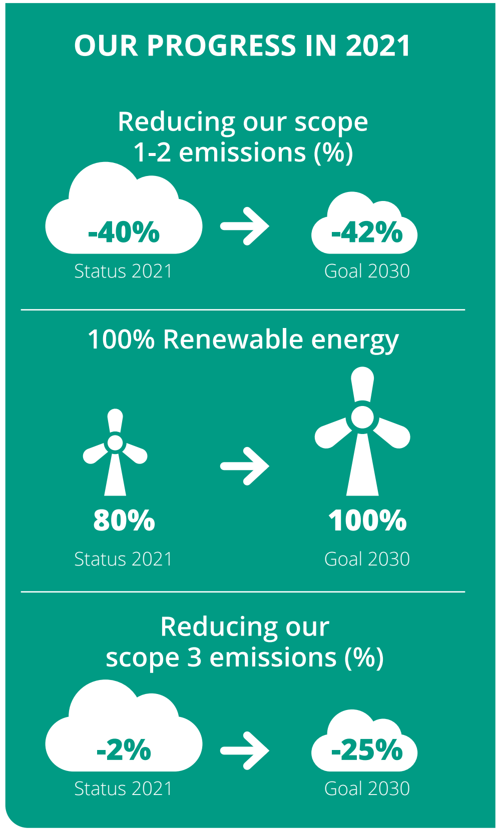
- **Exploring** new designs to reduce material usage in our value chain
- **Opting** where possible to use renewable or recycled materials
- **Accelerating** supplier commitment towards more sustainable practices
- **Continuing** to develop innovative partnerships (for example, with Woosh) to recycle our products
- **Stimulating** customer awareness and aligning with our customers' sustainability goals



Performance

In 2021, we reduced our scope 3 emissions by 2% compared with the base year 2020. This is in line with our reduction target of 25% by 2030.

- We reduced our scope 1 & 2 carbon emissions with 40% compared with base year 2020.
  → ***DETAILED ENERGY & EMISSIONS DATA ARE REPORTED IN THE NON-FINANCIAL DATA TABLES AT PAGES 146-171***
- All European plants run on 100% renewable electricity.
- Globally, 91% of the electricity and 80% of the energy we use is renewable.
- Inauguration solar rooftop in Puebla, Mexico & Ortona, Italy.
- We reduced our scope 3 carbon emission with 2% compared with last year.
- We submitted our science-based target for approval by the Science Based Target Initiative.
- Carbon-neutral production in six of our sites



CIRCULAR SOLUTIONS

"In an elderly home with 100 heavy incontinence patients, up to 4 tons a year of waste can be avoided by using a smart diaper system."

WIM VANDERPERREN, COMMERCIAL LEAD SMART DIAPER

Two of today's biggest challenges are climate change and resource depletion, driving biodiversity loss and undermining human rights. In response, Ontex is developing circular solutions for products and packaging. This means leaving behind a linear model – take, use, waste – and moving to a circular model where we maximize resource use and reuse, and where nothing is wasted. We identified three priority areas:

Priority 1: Zero production waste to landfill

Our ambition is to send zero production waste to landfill by 2030. In 2021, the amount of waste recycled increased to 95%, up from 91% in 2020.

Priority 2: Circularity in packaging

All our packaging is recyclable. We are committed to increase the proportion of renewable and recycled plastic in our plastic packaging by 2030. All cardboard packaging will have 100% recycled content by 2025. We aim at optimizing the thickness of our packaging to reduce the use of raw materials without compromising on quality.

In 2021 9% of our plastic packaging had a minimum of 35% recycled material. Additionally, we launched paper bags for one of our customers in the US.

Priority 3: Circular products and services

Much of our product innovation work is focused on circularity. In 2021 75% of our top 20 innovation projects were categorized as sustainable projects. This means they show a CO_2 improvement and/or circular improvement such as less plastic or more renewable materials.

Sustainable raw materials

Circular products require carefully considered raw material choice. We aim to replace materials by bio-based, recycled or non-plastic alternatives to reduce our carbon footprint and plastic consumption. For example, we developed a 100% cotton inner layer ('topsheets') as a first for baby brands in the US market with one our lifestyle partner brands.

Much R&D work focuses on reducing the volume of materials in our products while achieving equal or better performance. A thinner, less bulky product also results in less packaging and more efficient logistics, reducing carbon footprint. In 2021, we launched our first smart diaper 'Orizon', which optimizes continence care and reduces waste.

Biodegradable or recyclable design

We are optimizing design so that the output materials can be valorized by recycling or biodegradation, for example, by:

- Introducing biodegradable materials (cotton topsheets) into baby and femcare product
- Developing a biodegradable and compostable baby insert validated for industrial composting

SMART DIAPER SOLUTION ORIZON REDUCES WASTE

Developing hybrids: partly reusable products

The shift from disposables to reusable personal hygiene products has a potential carbon reduction from 30% up to 90%[1]. In 2021 we launched a hybrid diaper together with our Little Big Change brand. A hybrid diaper consists of a washable outer cover and a disposable insert. The design combines the comfort and performance of a traditional diaper with a reusable component.

OUR PROGRESS IN 2021

Zero production waste to landfill by 2030

95% Status 2021 → **0%** Goal 2030 (recycling index (%))

100% Sustainable packaging by 2030[2]

100% Status 2021 → **100%** Goal 2030 (share sustainable packaging (%))

Cardboard packaging with 100% recycled content

96% Status 2021 → **100%** Goal 2025 (share cardboard packaging with recycled content (%))

We improve the sustainability performance of our products[3]

75% Status 2021 → **100%** (share sustainability innovations (%))

1. UNEP- https://www.lifecycleinitiative.org/wp-content/uploads/2021/07/UNEP-LCI-Single-use-vs-reusable-Menstrual-Products-Meta-study.pdf
2. Recyclable, reusable or recycled
3. Of our top 20 innovation projects

End-of-life recycling and composting

In the majority of countries, sanitary waste is not collected separately. The waste stream is incinerated or sent to landfill.

Ontex made it a mission to find solutions to this problem, such as (partly) recyclable diapers and novel diaper systems for industrial-scale composting.

Sustainable solutions at scale are dependent on governments and waste industry players to organize collection and invest in specialized waste treatment. To incentivize and accelerate this investment, in 2021 Ontex (together with other partners) launched a set of pilot projects on diaper waste.

Woosh

Ontex has actively contributed to the creation of Woosh, a startup whose mission is to make diaper recycling a reality. Woosh aims to deliver disposable diapers and collect used diapers from 1,000 nurseries in Belgium by 2024 and expand the service to other countries. Together with other partners, Woosh aims to enable the first diaper recycling site in Belgium.

Ontex and Les Alchimistes

Ontex and Les Alchimistes have set up a pilot project at Les Alchimistes' industrial composting site near Paris with the aim of proving that composting of Ontex diaper pads is possible, and that waste and incineration can be reduced.

Performance 2021

- Recycling index of 95%
  → *DETAILS CAN BE CHECKED AT P. 160*
- 9% recycled content in our plastics bags
- All our packaging is 100% recyclable
- 75% of our innovation projects are categorized as sustainable projects
- Launch of diaper take-back service in cooperation with Woosh
- Pilot compostability diaper pads in cooperation with Les Alchimistes
- Launch of hybrid diaper

BUILDING TRUST

Product safety & transparency

The personal hygiene sector is becoming increasingly regulated. The states of California and New York have introduced regulatory requirements for menstrual product composition labelling. The regulatory landscape in Europe is also increasingly stringent. In 2021, the EU's Medical Device Regulation and the Single Use Plastic Directive came into force.

Our major retail customers are seeking to improve transparency and are now requesting disclosure of chemical substances present or absent in absorbent hygiene products. Consumer demand is driving higher product safety and sustainability standards.

It is imperative then that we continue to build a high level of trust with our diverse stakeholder groups.

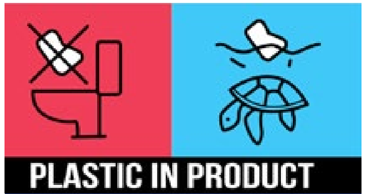
→ *SEE PAGE 155 FOR MORE DETAILS*

Cooperation and monitoring trends

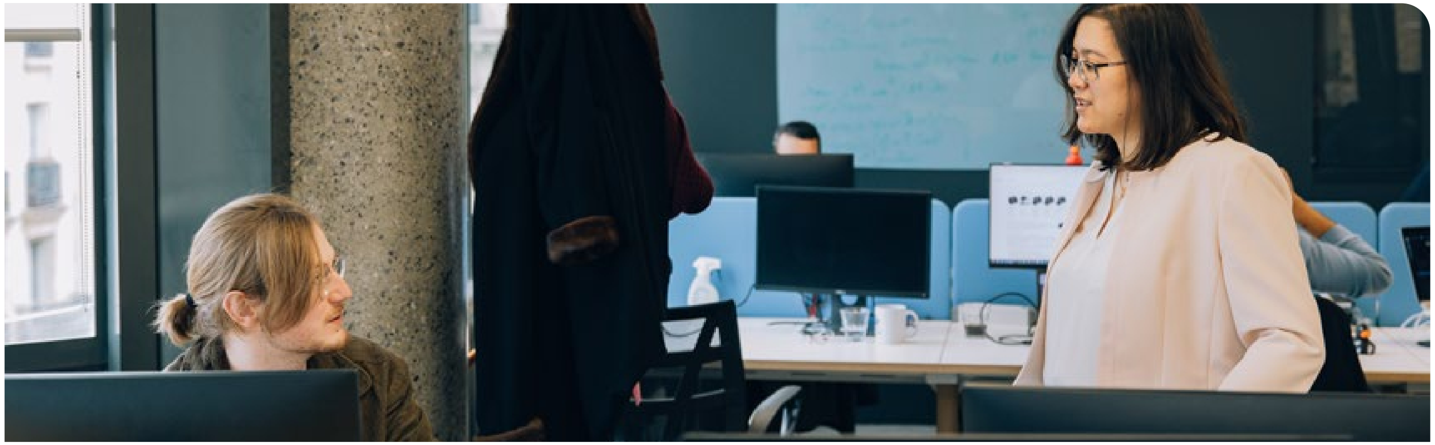
We belong to a number of industry associations including: EDANA, Group'Hygiene, AHPMA UK, BeMedtech, and BAHP. These provide a platform for exchanging ideas and seeking joint solutions to common challenges. They also provide an advocacy voice as we negotiate the changing regulatory landscape.

Performance 2021

- Launch of new conformity declaration requiring more comprehensive disclosure of the material composition from our suppliers, chemical testing and biocompatibility.
- 48% of our turnover comes from products with one or more eco or health certifications.
- Our product complaint level reduced by 12% compared to the previous year.



IMPLEMENTATION OF THE SUPD LOGO ON ALL ONTEX FEMCARE PRODUCTS AND ALSO ON WET WIPES SOLD IN THE EU (EEA) IN 2021



RELAUNCHED IN 2021, THE ENVIRONMENTAL AND SUSTAINABLE COMMITMENTS OF ONTEX FREELIFE BY BÉBÉCASH BRAND ARE COMMUNICATED VIA PRODUCT LABELS & CLAIMS

A SUSTAINABLE SUPPLY CHAIN

Approximately 50% of Ontex's raw materials by weight are sourced from renewable natural sources; the rest are plastic fossil-based materials.

Our materials of renewable origin are primarily derivatives of wood and cotton, along with miscellaneous sources such as biobased plastic materials from sugarcane and corn.

Most of our suppliers are located in Brazil, followed by Mexico and Germany. Italy and the United States complete the list of our top five supplying nations.

Safeguarding responsible origin of renewable raw materials

Ontex is committed to responsible raw material procurement by aligning itself with trusted third-party certifications: PEFC/FSC®[1] for materials derived from wood, GOTS for materials derived from cotton and REDcert[2] or equivalent schemes for materials derived from other bio feedstocks.

Wood-based materials

Over the past years, our share of certified pulp, airlaid and viscose sourcing has been growing to 83% in 2021 and narrowing the gap to our 100% target. This growth has been possible by gradually substituting controlled wood pulp, airlaid and viscose. Non-certified non-controlled sourcing has been strictly forbidden for some time. All Group purchase of wood-based packaging is certified.

Cotton

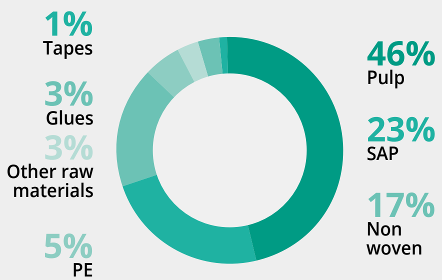
We strive to have 100% organic cotton. In 2021, 96% of our cotton was organic while the remaining 4% of non-organic were used upon customer requirements.

Bio- & recycled plastics

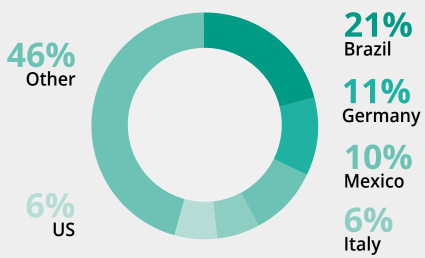
We reached an important milestone last year when achieving REDcert[2] mass balance certification for bio- and recycled plastics. This will allow for increased commercialization of plastic-based materials of sustainable origin.

INFOSESSION ABOUT SUSTAINABILITY REQUIREMENTS FOR ONTEX SUPPLIERS, MAY 2021

MAIN RAW MATERIALS



GEOGRAPHICAL LOCATION OF ONTEX SUPPLIERS



1. PEFC (PEFC/07-32-261)/FSC® (FSC-C081844).

"Focusing on a real circular economy is one of the most important drivers in the plastics industry. Companies like Ontex are committed to a certified sustainability where the mass balancing approach allows to include significant and traceable volumes of recycled and bio-material into the production process. We are glad to welcome Ontex in the community of other REDcert[2] certified companies."

PETER JURGENS,
MANAGING DIRECTOR REDCERT

Renewables material governance

In 2021 we formalized our responsible origin requirements in a Sustainable sourcing policy for renewable raw materials. This policy has been circulated to suppliers, and Ontex employee s with a key role in the procurement process.

This policy, combined with our Ethical sourcing requirements and the Supplier Code of Conduct, is the backbone of the sustainability sourcing measures being implemented by the Ontex sustainability team.

Renewable raw materials are also now subject to a special due diligence process. Possible risk points around origin issues are clarified with suppliers, and additional information is requested in such cases to assure low risk of unsustainable origin.

Protecting human rights throughout the supply chain

Ontex fully supports international conventions such as the Universal Declaration of Human Rights, the Children's Rights and Business Principles, UN Guiding Principles for Business and Human Rights, OECD Guidelines, UN Global Compact and International Labor Organization (ILO) Conventions and Recommendations relevant to improving working conditions in the supply chain.

We expect our suppliers to share the environmental, social and governance requirements which are expressed in this Supplier Code of Conduct and to replicate these standards further down the supply chain. Over 90% of suppliers have signed the Ontex Supplier Code of Conduct. .

In addition, we oblige suppliers located in risk countries to provide a valid third-party social audit report as set out in our Ethical sourcing requirements. In 2021, approximately 45% of Ontex suppliers were located in countries categorized as at-risk for human rights violations. 32% of them have submitted a valid social audit report. We are informed within 24 hours in cases of critical observations. No contracts with our suppliers were terminated on the grounds of sustainability-related non-compliance in 2021. Additional efforts are planned to further roll out social compliance in our supply chain.

Supplier assessment

Our purchasing tenders encompass a set of sustainability-related questions. Raw material and packaging suppliers go through a preliminary sustainability assessment via our internal supplier management tool. Once these steps have been completed, the supplier signs off on our Supplier Code of Conduct. Suppliers are assessed and scored on an annual basis.

OUR PROGRESS IN 2021

100% certified or controlled wood-based raw materials

Status 2021	Goal
100%	100%

100% organic cotton

Status 2021	Goal
96%	100%

Supplier code of conduct signed

Status 2021	Goal
93%	100%

Social audit compliance suppliers

Status 2021	Goal
32%	100%

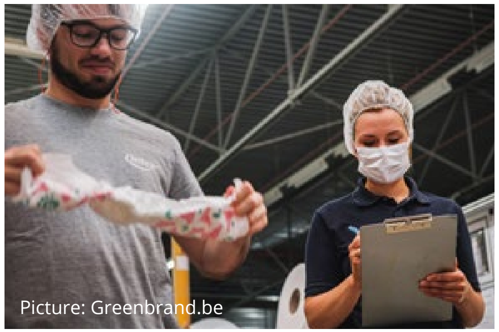
BUSINESS ETHICS AND ANTI-CORRUPTION

Operating consistently with a strong ethical compass is very important to Ontex. We operate in many different markets that have different challenges and where laws, environmental requirements and social conditions vary.

Our approach towards Ethics & Compliance

Ontex is committed to operating and growing its business by serving customers and consumers in accordance with the highest standards of respect, integrity, transparency, honesty and ethical practices.

Our Code of Ethics establishes clear standards of conduct that we expect from all of our people in their daily interactions with colleagues, as well as with customers, suppliers, shareholders and other key stakeholders. All Ontex employees and anyone conducting business on behalf of Ontex (e.g., agents, distributors and consultants) are required to comply with the Code of Ethics. Our Code of Ethics can be found on our corporate website, and our standard distribution agreements reference our Code of Ethics to ensure signing by those doing business on our behalf.



Picture: Greenbrand.be

Our progress in 2021

Code of Ethics campaign

The second, updated version of our Code of Ethics was officially launched in 2021. Later in the year, a company-wide mandatory e-learning was introduced for all employees and consultants. This e-learning is an in-depth training on all topics covered in the Code of Ethics to ensure that everyone understands and acts upon the Code. We have achieved a completion rate of 87%.

The e-learning will also be used as mandatory onboarding training for new employees and consultants joining the company in 2022. In parallel, a Code of Ethics leaflet was distributed at all our production, administration and sales sites to clarify the principles of our Code of Ethics.

Ethics & Compliance governance

Annual compliance targets are approved by the Executive Management Committee (EMC), the Audit and Risk Committee of the Board (ARC) and forwarded to the local Compliance community. The Group Compliance Department reports twice a year to the EMC and ARC on the status of these targets and the number of Code incidents.

Day-to-day responsibility for ensuring that the principles of our Code of Ethics and related policies are implemented rests with senior management in all departments, regions and functions.

Following the internal restructuring, we took the opportunity to align the local compliance community with the new Ontex structure. The EMC decided to embed the local compliance function within the finance function, as there are many synergies between the two in day-to-day operational tasks, and finance managers are closely connected to operations, so they can easily identify high-risk issues.

Local finance managers will therefore become local compliance managers in 2022, while maintaining close links with the other relevant functions such as HR and internal control.

"Acting ethically, consistent with the expectations of customers, suppliers, consumers and other stakeholders, is essential to protecting Ontex's reputation. It's about complying with external regulations and doing the right thing."

LAURENCE TIRTIAUX, ASSOCIATE GENERAL COUNSEL & HEAD OF COMPLIANCE

"In my role as Compliance Manager, I ensure that Ontex Australia functions in a legal and ethical manner while meeting our business goals. I am the local ears, eyes and voice for Group Compliance, and the privileged contact for all employees in Australia for Code related incidents and Compliance issues. I work hand in hand with the local Senior Management and with local HR."

SOO CHAN LOO, FINANCE MANAGER AUSTRALIA

Picture: Greenbrand.be

Picture: Greenbrand.be

Speak up and reporting

Our "Speak up" policy has been updated to reflect all regulatory requirements and posted on our corporate website. Business partners and employees are encouraged to report concerns ("Code incidents") using Speak up channels, including our external Speak up hotline (by phone or online), which allows reporting in 16 languages and on an anonymous basis.

To speed up the handling of Code incidents in terms of risk and severity, the Code incident handling process has been further enhanced and approved by ARC. Each potential Code incident is assigned a "colour code" (red, orange, yellow) that determines (i) to whom the potential Code incident must be escalated - these individuals decide who is best suited to investigate - and (ii) who decides on follow-up and disciplinary action if the potential Code incident proves to be substantiated.

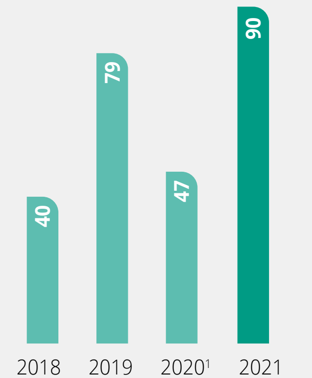
In 2021, we investigated 90 potential code incidents, of which 68% were received via the Speak up hotline. Of the cases investigated, 46% were considered code incidents that resulted in a contract termination and/or a written or verbal warning. 2 reports are still under investigation.

Compliance certification

To underscore the importance of ethical behaviour at all times, ARC has approved the implementation of a compliance certification process in which employees will be asked each year to formally certify that they agree to act at all times in accordance with our Code of Ethics and to report suspected violations of the Code. Compliance with our Code of Ethics will be part of the year-end evaluation process, and disciplinary action may be imposed in the event of non-compliance.

TOTAL NUMBER OF REPORTED CODE INCIDENTS	2020	2021
Anti-harrassment/Anti-discrimination	30	45
Company Assets	5	2
Conflicts of Interest	5	15
Fairly Stated Records & Reporting	1	2
Occupational health & Safety	2	12
Personal Data & Privacy	1	0
Product Quality & Safety	0	1
Professional conduct	0	12
Proprietary Information	2	1
SOCIAL MEDIA & NETWORKS	1	0
TOTAL	**47**	**90**

EVOLUTION OF REPORTED CODE INCIDENTS PER YEAR



1. The decline of reported Code incidents in 2020 is attributed to the Covid-19 pandemic outbreak (cfr. Navex 2021 Incident Management Report). https://www.navexglobal.com/en-us/company/press-room/navex-global-2021-incident-management-benchmark-report-reveals-dramatic-shift-result-of-covid-19-disruptions

Focus on our Anti-Corruption Programme

Ontex is committed to a rigorous ethics and compliance programme and an anti-corruption programme to prevent and combat corruption in all its forms.

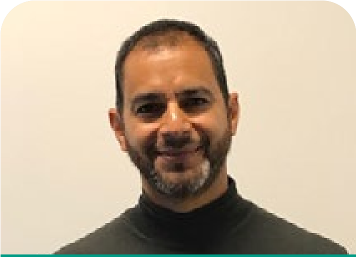
Current initiatives underway include:

- A Code of Ethics campaign, Anti-Bribery and Corruption and Gifts and Hospitality policies, which are embedded in our Code of Ethics.
- Maximum monetary amounts to guide our employees' decisions on gifts and hospitality
- An "anti-bribery and corruption" chapter in our supplier code of conduct, signed by 93% of our raw material suppliers
- An anti-corruption risk assessment as part of BSCI audits
- Training initiatives, such as "compliance newsletters" and face-to-face training sessions
- Third-party screening via the Dow Jones Screening & Monitoring Tool.

In 2021, an Anti-Bribery and Corruption Roadmap with clear measures was established and approved by the EMC and ARC. These measures include:

- An updated anti-corruption risk assessment of our business. Depending on the level of risk, short- and long-term targets and mitigation measures are set. Corruption risk mapping will be reviewed annually.
- Further communication and training on our anti-corruption policies and procedures.
- Dedicated anti-corruption e-learning will also be established and will be mandatory for certain employees (working in high risk countries and/or performing high risk functions).
- Emphasising the use of our speak up channels to take appropriate action against potential code incidents related to corruption.
- Approval of all gifts and hospitality through an automated system.

The above measures were initiated in 2021 and will be further developed in 2022 and beyond.



“We are part of a select global group of companies that invest to ensure that acting in a compliant way is the only way of doing business. We are privileged to share this goal with colleagues, investors, suppliers and customers.”

ANGEL DE LEON,
LEGAL & COMPLIANCE DIRECTOR AMEAA

ENHANCING PORTFOLIO FOCUS

The New Ontex is defined by core portfolio of businesses constituting Ontex's inherent strengths.

Portfolio focus lies at the core of the New Ontex

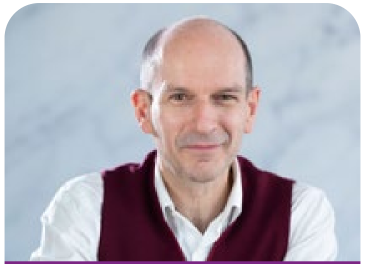
Ontex has a strong track record as the partner of choice for brand owners, both retailers and lifestyle brand companies, as well as institutional customers. This client base is largely located in Europe and North America, including Australia and New Zealand, and this is where we see the most potential for profitable growth.

Ontex's industrial footprint is well positioned to serve these regions and offers considerable opportunities for synergies and economies of scale to provide our partner clients with innovative solutions and the best quality and cost. We will focus investments on maximizing synergies across our European industrial footprint and ramping up our operations in the US, driving operational excellence.

The New Ontex will:

- Strengthen core competence of partner brand manufacturing
- Leverage on scale and one platform setup
- Invest in profitable growth opportunities

The portfolio approach of honing in on our most profitable markets and channels enables efficiency gains across the organization and supply chains, as well as bringing greater concentration to the synergies of the partner brands and business-to-business client base. In Healthcare, we serve institutions and distributors with a similar business model compared to partner brands.



"The task at hand is to return the Europe business to sustained growth by driving more pricing initiatives and by stopping the share losses on retailer brands. These initiatives are already underway and we are progressively repositioning our portfolio to increase our exposure to the higher growth areas within the categories we play in."

LAURENT NIELLY, PRESIDENT EUROPE DIVISION

Driving profitable growth

Ontex's product offering will remain in our current three categories – Baby Care, Adult Care and Feminine Care – and we will accelerate our focus on faster-growing, margin-accretive products within these categories. We have set clear priorities on where to direct our innovation and commercial capabilities and this also includes stepping up our presence on-line directly or through our distributor and retail partners.

To take one example: in the baby care category, we are continuing to respond to the trend for baby pants by working on improving the product performance, adding new capacity, sharpening up our shopper-led story to unlock growth with our customers, while aiming to progressively reduce the product cost to fund the needed investments to grow.

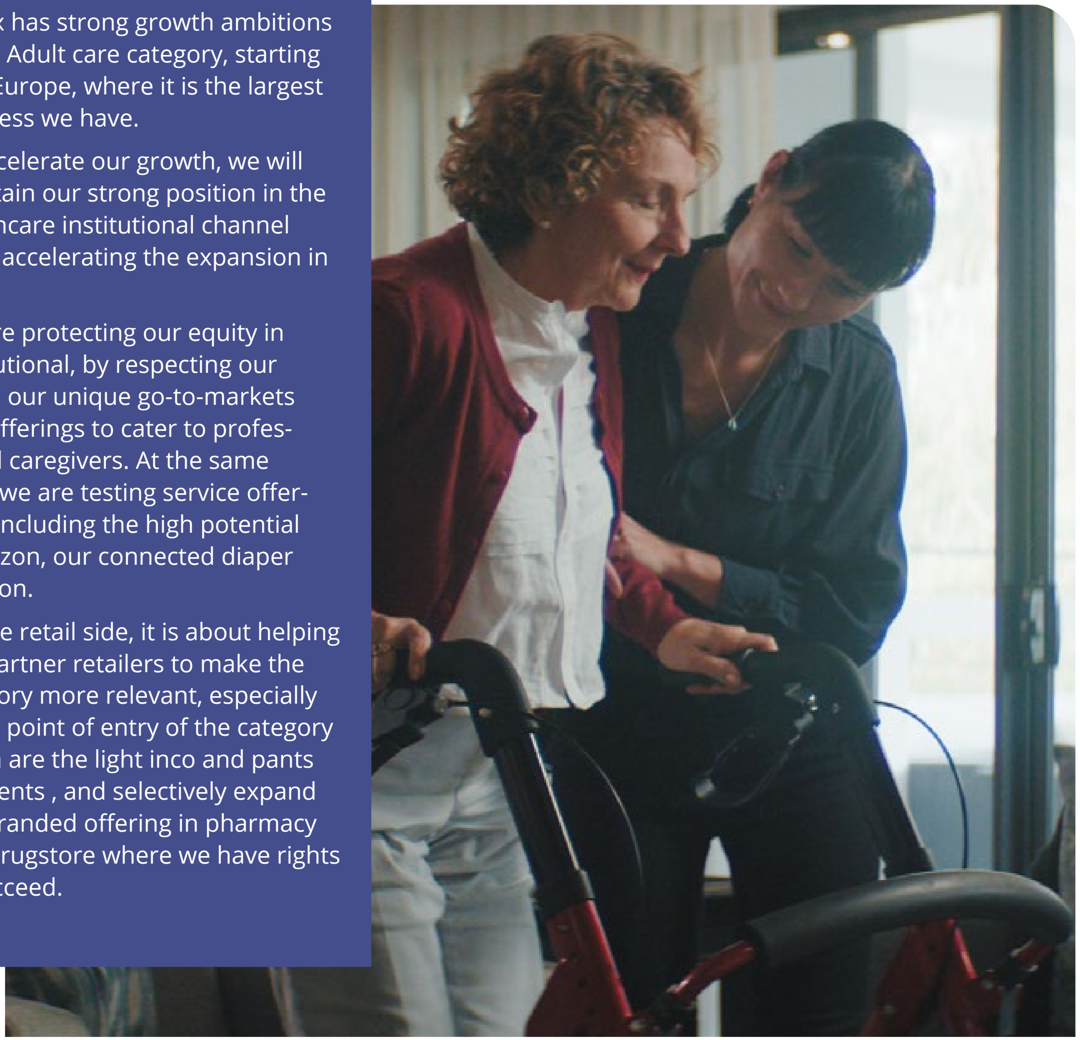
Adult care: the growth engine for Ontex Europe Division

Ontex has strong growth ambitions in the Adult care category, starting with Europe, where it is the largest business we have.

To accelerate our growth, we will maintain our strong position in the healthcare institutional channel while accelerating the expansion in retail.

We are protecting our equity in institutional, by respecting our roots, our unique go-to-markets and offerings to cater to profes-sional caregivers. At the same time, we are testing service offer-ings, including the high potential of Orizon, our connected diaper solution.

On the retail side, it is about helping our partner retailers to make the category more relevant, especially in the point of entry of the category which are the light inco and pants segments , and selectively expand our branded offering in pharmacy and drugstore where we have rights to succeed.



Global platform, local rollout

The strategic decision for portfolio focus automatically brings geographical focus to Europe and North America, enable Ontex to continue to leverage scale benefits, from raw materials to production, logistics and of course in our go-to-market including customer service.

In this way, Ontex is set to excel once again with a strong customer centricity, offering innovative products with best-in-class quality, cost and service. We are convinced that greater focus will bring the necessary determination and speed to better position our portfolio without losing the scale we still enjoy in these key regions.

We are holding a strong # 2 position in Europe and, through that and our presence across all channels, we are well positioned to win in a margin-accretive category for us.

In the US, where the market has great potential for partner brands, the objective is to deliver sustained double digit profitable growth. We already have a strong foothold here.

Geographic focus enabling cost reduction

Another consequence of the portfolio focus on the New Ontex is the enhanced opportunity to balance manufacturing and transportation cost to achieve the lowest total delivered cost.

We will continue to optimize our networks and cost structure within our core business, for example, based on the concept of logistic footprint: the denser the product, the farther it can travel economically. Tampons for instance can be manufactured from a single global site, adult incontinence has to be produced closer to the consumer, typically less than 700 km.

In Europe: we have announced our intention to close our manufacturing operations in Mayen Germany, we are also moving the production of eight lines from Belgium to Spain and the Czech Republic, closer to the customer base.

In North America: we are ramping up manufacturing capacity on the east coast of the US, which means that we will be the only player to provide customers with coast-to-coast sourcing flexibility.

Global expertise in our Centers of Excellence

Ontex in-house expertise and know-how is one of our great assets, as it means that we can act as a broker for customers seeking to develop new and innovative product lines.

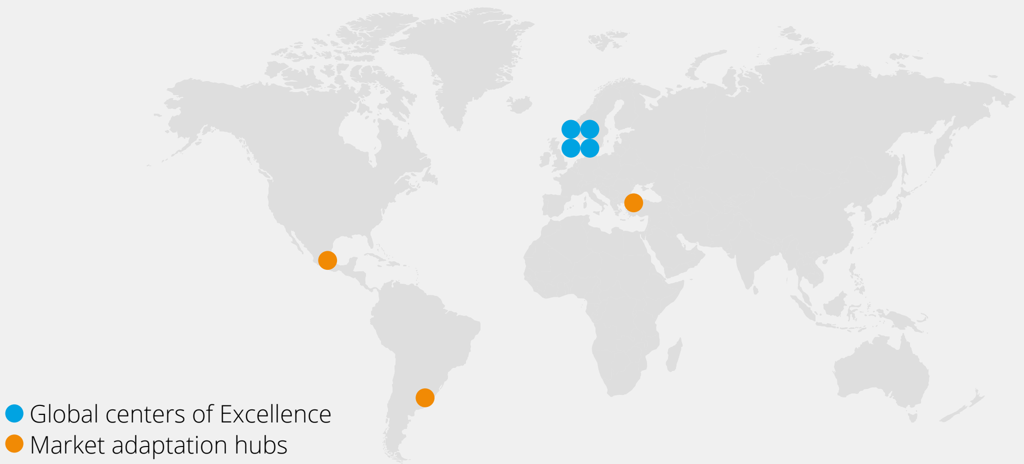
Our capacity to rapidly follow branded leaders, as well as providing consumer-relevant, cost-effective solutions and differentiation options to our customers is key.

We have already refocused our innovation efforts based on category-focused Centers of Excellences that tap into the wealth of knowledge of our R&D team, our engineering and our suppliers on developing more global product platforms.

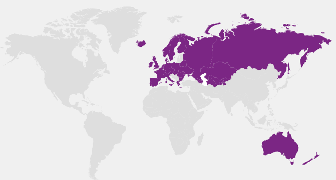
We have streamlined our network of R&D teams, and built a clear separation between global design and local adaptation teams. This allows us also to better prioritize, and ensures that we drive scale and balance our efforts between design for value and new-benefit-led innovation. This balance of global expertise and local roll-out will also allow us to continue to win tenders and improve the mix toward higher-margin products.

- Reorganized against global product & technology platforms and local market adaptation teams
- Global platforms with intentional design for scale in strong collaboration with engineering & suppliers
- Access to development lines
- Evolved innovation process and interconnected priority setting for greater efficiency and speed in deployment

STREAMLINED R&D NETWORK



1,228M €
Europe Division Revenue in 2021



STRENGTHENING CUSTOMER CENTRICITY

"During 2021, we've addressed fundamentals so that we can regain service level, innovation and quality excellence. The realignment of our R&D organization and evolution of our supply chain organization is geared towards more market- and customer-focus."

JIM SKINNER, GENERAL MANAGER, ONTEX NORTH AMERICA

Customer centricity means reinvigorating an Ontex tradition

In our investor update of June 2021, we identified customer focus in the top three most important challenges to address. Other top challenges are cost and complexity.

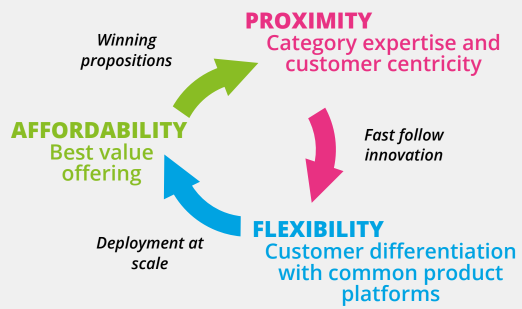
This is further reinforced by the fact that customer centricity is one of our six strategic priorities, with the intent to strengthen customer relations and restore growth.

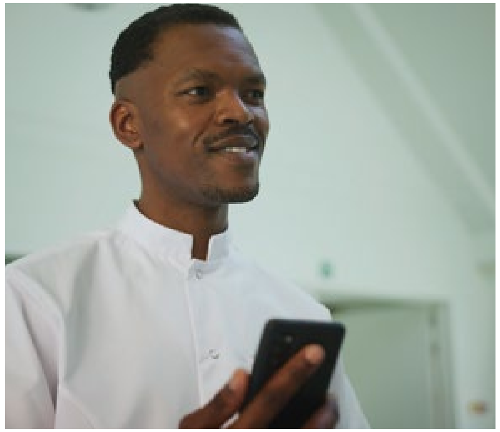
And it's clear that we are operating in accordance with these priorities and already making progress on the route to value creation. This is by doing what we do best, which includes serving our partner brands. Traditionally, Ontex was the partner of choice for retail brands, lifestyle brands and institutional clients in the developed markets of Europe and North America. It is this core strength that we returned to, by refocusing Ontex on partner brand and healthcare.

This decision automatically targets Europe and North America, where partner brands are well established, sizeable and offer the greatest potential for profitable growth. It means that Ontex can continue to leverage scale benefits, from raw materials to production, logistics and in our go-to-market including customer service.

Ontex is set to excel once again: with strong customer centricity, offering innovative products with best-in-class quality, cost and service. Leveraging off these economies of scale will reinforce our goal of always being the partner of choice for our customers, by serving them and helping them grow.

We believe that the increasing trend of online retail that was accelerated by the pandemic is here to stay. We continue to build our online presence in several ways and help our customers to fully engage with the digital world.





Customer centricity in practice

The 'New Ontex' operating model across the entire business.

Winning new business

One of the distinctive features of Ontex has always been the quality of the customer relationship. Of course, customer centricity as a mindset and in our organizational culture goes beyond the commercial frontline, but we believe it is key to winning new business.

For example, we've reinforced the way that we prepare tenders and offers for our customers and we consider that our plant managers have therefore a key role to play and accountability to win new business.

Enabling partner and lifestyle brands

We expect the phenomenon of lifestyle brands to continue - and to represent key growth opportunities. Our comprehensive in-house expertise enables us to respond to our customers' demands for different - usually more sustainable or resource-optimized - materials and features.

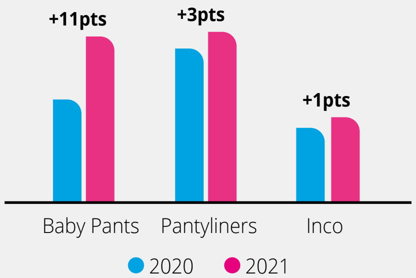
Even more responsible use of resources and the increasing importance of using recycled material in the products that we manufacture is a mega-trend that we know is here to stay.

We're making good progress on being able to offer a menu of different options to our customers to help them build the brand and address that consumer megatrend.

Helping customers in positioning their brands online

It is important to us to support our customers through the digital transition. Our Digital Factory in Paris focuses on the online retail experience, and provides digital expertise to help customers improve category performance and brand share online.

SHARES GROWTH YOY[1]



1. Source : Volume share, Nielsen through october 2021

ACCELERATING PRODUCT INNOVATION

Product innovation will define the future of Ontex. In 2022 we are rising to this reality and challenge by rolling out exciting, breakthrough products which we expect to be an important driver of our short to mid-term growth targets.

Our renewed customer and consumer-centric approach means we are bringing fewer but bolder and more sophisticated product innovations to market. Product design and delivery is increasingly informed by our sustainability targets and the application of digital technology.

After a challenging 2020 when a number of innovation projects requiring validation were postponed due to the Covid 19 pandemic, last year saw us launch new products which will deliver significant long-term growth in the Baby and Adult Care categories.

We are now accelerating the development of new products. IIn 2021 we refocused our innovation efforts by streamlining our R&D footprint : 4 category focused centers of excellence and 2 market adaptation centers. These centers of excellence tap into the full depth of our R&D capabilities - and engineering and suppliers' know-how - to develop more efficient innovations.

In our R&D network, we established strong links links between global design and product adaptation teams.

This will drive scale and balance our efforts between design for value and benefit-led innovation. This approach will enable us to continue to win tenders and improve our offering of higher margin products in our core North American and European markets.

An emphasis on excellence

The company's manufacturing plant at Mayen, Germany will cease production in Q2-2022, but the location will continue to play a pivotal role in the Ontex story.

It is now home to our Center of Excellence for Global Process Engineering and Global Product Technology Innovation.

The design and engineering teams on the ground in Mayen will work virtually with market adaptation and customer adaption teams at other Ontex locations.

The Center of Excellence and its virtual dimension will enhance our customer-centric strategy by hosting innovation workshops for retailers and other customers. Their feedback will help inform prototype design, and also allow us to speedily adapt existing products to specific market requirements.

Designing for value and smart innovation

Notable innovation successes in 2021 included the launch of our Climaflex® diaper technology, and Orizon® - an incontinence management service with the potential to transform incontinence care in institutional settings.

Climaflex® - next generation core technology for ultimate protection & comfort

Climaflex is a next generation baby diaper core technology. Thanks to the dual-core technology and unique channel design Ontex is the first retail manufacturer to offer advanced absorption and a strong liquid lock even under the toughest conditions. In addition, the Climaflex technology ensures breathability and heat regulation, keeping the baby's skin dry and fresh.

The technology has been launched under Ontex's 'Little Big Change' brand in six European countries (Austria, Belgium, France, Germany, Luxembourg, The Netherlands). It will be rolled out across other retailer diaper brands in Q2 2022.

Ontex has several granted and pending patents protecting the inventions that make up Climaflex®, covering Europe, the US and Mexico.

These patents join Ontex's large and growing patent portfolio that protects many product features such as instant dryness technology SeconDRY™ and channel technology for faster absorption.

Orizon® - reinventing adult continence care

Between 10% and 36% of people over the age of 60 are affected by incontinence and use adult care products, according to WHO research.

Discretion, protection and dignity have always been the cornerstones of the Ontex adult care design ethos. We are building on this track record with the development of an app-based incontinence management service being rolled out in care homes and hospitals in Europe under the brand name 'Orizon'.

The Orizon solution – based on an app linked to a transmitter on the adult care product - alerts nursing staff in care homes and hospitals when a resident's incontinence protection is close to saturation.

A field study with Orizon in a Belgian care home saw a 37% reduction of leakages during the day and more than a 50% reduction at night. There were also over 75% fewer bed linen changes.

An Ontex study has shown that nurses in a care-giving environment spend almost half their time on incontinence-related tasks. The Orizon solution will greatly reduce this workload, and also cut related waste and laundry costs.

Less time spent on continence management increases the dignity of residents and allows caregivers devote more time essential care tasks such as social contact with residents.

"We are excited about our new technology, both from technology and business perspectives. We are the first retail brand manufacturer that can guarantee advanced absorption even under tough conditions – on par with one of the key promises of the leading A-brand in Europe. For parents, it is important that a diaper is offering long-lasting dryness and skin comfort."

ANNICK DE POORTER, EVP R&D AND SUSTAINABILITY

"Diapers are now only changed and checked when needed, so residents suffering from incontinence get more time for a chat with staff and are not unnecessarily disturbed during the night. Orizon has had a positive impact on people's comfort and on the environmental footprint of our care home."

HILDE D'HONT,
DE DENNEN CARE HOME QUALITY DIRECTOR

Fee-based model

Ontex has run Orizon pilot projects in Belgium, France, Germany, Italy and the UK since 2020 with more pilot installations to come across different European countries in 2022 and with a broad commercial launch in 2023.

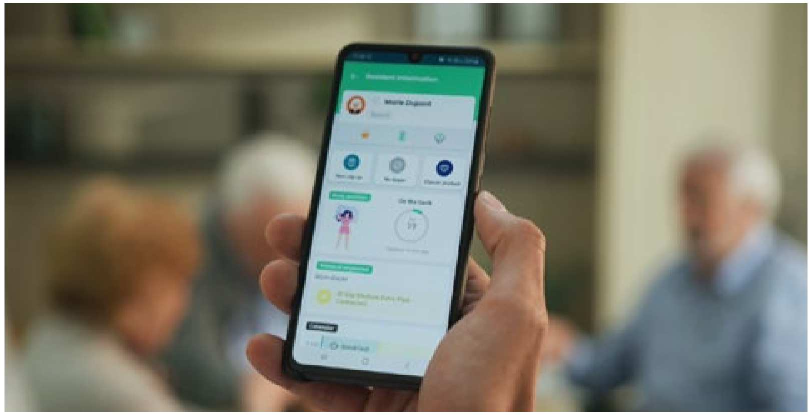
Unlike most of our existing incontinence brands and services, Orizon is based on a monthly fee. With Orizon, we aim to optimize the total continence management cost by reducing waste, laundry cost and staff time spent on continence care.

Orizon will be brought to the market by our two leading incontinence brands, Serenity and iD. This will enable us to capitalize on our existing brand awareness and reputation in European hospitals and care settings.

How it works

The Orizon solution is based on a printed sensor, a transmitter clipped onto the adult care products, as well as a mobile and web application. This combination accurately determines the saturation level of the diaper and alerts caregivers when it is necessary to change the diaper.

During the first validation process field study, the Orizon solution was tested at care home *De Dennen* in Malle, Belgium. Hilde D'hont, care home Quality Director, said: "Orizon has improved the daily lives of our residents suffering from incontinence, as well as that of our caregivers."



Safety, certification and sustainability

Full transparency along the supply chain

Ontex has never compromised on health and safety when developing new products. We carry out risk assessments on all products and raw materials. We aim to create full transparency throughout the long supply chain, from the basic raw materials to complex finished products.

In 2021 there were again no product recalls. We have expanded our product stewardship department to focus on improved transparency along the supply chain. One of the main achievements here has been the revision of the material approval process to increase transparency. This also reflects changing requirements and anticipated new regulations.

IN 2021, 48% OF OUR REVENUE CAME FROM PRODUCTS WITH ONE OR MORE ECO/HEALTH CERTIFICATIONS.

Our own standards often go beyond legal requirements. In advance of legislation, we phase out chemicals of concern that are perceived as potentially problematic.

Building customer confidence

We communicate sustainable features' information on all our product packs. In 2021, 48% of our revenue came from products with one or more eco/health certifications.

In 2021, we had 363 products OEKO-TEX 100-certified. This is a leading global label on standards for baby textiles tested for harmful substances.

We also now require suppliers to provide recent chemical and biocompatibility test results for each new raw material and any material that directly contacts the skin.

IMPROVING OPERATIONAL EXCELLENCE

By placing the customer/consumer at the centre of everything we do, our industrial operations will become leaner, more agile and achieve greater economies of scale.

Picture: Greenbrand.be

Resilience was the hallmark of our operational response to the Covid 19 pandemic. All our plants remained open. There was no major impact on service levels despite, at times, high absenteeism and the severe constraints in our supply chain.

This experience gives us confidence that we can rapidly progress our strategic operational excellence targets in the challenging post-pandemic business environment.

Driving industrial transformation

Our industrial transformation agenda is focused on unlocking significant value from our end-to-end supply chain. We will build on our production network efficiencies to take performance to the next level. By placing the customer/consumer at the center of everything we do, our industrial operations will become leaner, more agile and achieve greater economies of scale.

Clear KPIs to reduce a complex cost base

The nature of our business means we have high fixed costs and very high exposure to inflation on raw materials and other operating costs.

And while we have a well-deployed asset base close to our customers, we also have a high level of complexity which, historically, has caused an excessive diversity of equipment with low utilization. Against this background, we

"By placing the customer/consumer at the center of everything we do, our industrial operations will become leaner, more agile and achieve greater economies of scale."

VINCENT CREPY, CHIEF SUPPLY CHAIN OFFICER

3-YEAR NET SAVINGS

Procurement

- Scale advantage, through platform standardization
- Strategic supplier partnerships

Manufacturing

- Improve Overall Equipment Effectiveness (OEE) by 10 points and Scrap Rate by 1 point
- Increase Capacity Utilization by 10 points
- Total maintenance cost optimization

Logistics

- Trucks fill rates
- Localize production
- Inventory control to reduce warehouse costs

Design to Value

- Quality alternative materials & suppliers
- Leverage new equipment to drive more efficient design
- Optimize specs for quality & cost

Overheads

- Streamline structure & middle management layers, head office positions
- Reduce non people costs, including office space

Picture: Greenbrand.be

have identified measures with clear KPIs to reduce our cost base.

We are developing the capacity to achieve a sustainable 4pc year-over-year cost improvement. NWC will be kept below 5pc of sales and Capex at 4-4.5pc of sales to secure our cash conversion objectives. We will invest in growth in a focused way.

Infrastructure

Cost improvements will come from streamlining our infrastructure. This begins with our footprint – where do make our products and ship from? Efficiency here lies in balancing manufacturing and transportation costs to achieve the lowest total delivered cost.

Key to that is a product's logistic footprint: the denser the product, the farther it can travel economically. For example, tampons can be manufactured at a single global site, but adult care products have to be produced closer to the consumer, typically within less than 700kms.

Actions we have taken to rationalize our footprint include:

- Closing the manufacturing business in Mayen, Germany
- Moving eight production lines from Belgium to Spain and the Czech republic
- Ramping up our production capacity at the Ontex plant in North Carolina - this will make us the only player in the North American market with coast-to-coast sourcing flexibility

Asset base

We have approximately 260 distinct lines. This number will be streamlined using faster equipment on harmonized platforms. This will enable us to reduce the number of lines by 20pc and improve capacity utilization by 10pc over time.

Material costs

We are improving our capabilities in strategic procurement, design to value, and industrialization. This 'magic triangle' will help optimize our material costs.

Waste elimination

This is at the heart of our operational excellence program. We don't just want to have one diaper design on one type of equipment; we also want to have one optimized way to manufacture it.

We are aiming to reduce scrap by 30pc. This will help increase our OEE (overall equipment effectiveness) by up to 15pc. In 2021, we reduced scrap by 10pc and increased OEE by 5pc so we are well on our way to achieving our targets.

SALES TURNAROUND AND SOLID SAVINGS DELIVERY

"In a difficult environment where our supply chain is facing unprecedented cost inflation and scarcity led disruptions, our net results bore the impact. This masked strong progress on the operating plan where we are gradually returning to revenue growth and where savings initiatives reduced the cost base by 4%. This mitigated the impact on our earnings and as these initiatives are structural they will make us come out stronger once the inflationary environment eases. I'm particularly proud of our teams as we were able to maintain strong cash discipline. It allowed us to bridge some of the gap on free cash flow versus 2020, which combined with the Brazilian settlement, we were able to reduce net debt by 14%. And that debt has been diversified significantly with the bond issue in June."

PETER VANNESTE, CHIEF FINANCIAL OFFICER

2021 was marked by unprecedented raw material and energy cost inflation across the sector, starting in the second quarter. Important indices for Ontex's raw materials went up 40 to 80%, energy prices went up similarly and transport costs, in particular for sea freight, went up in multiples. These factors combined to disrupt our markets, and increases our input costs by 15%-20% versus 2020, with 6% (€106 million) already incurred in 2021 and the remainder expected in 2022.

Despite these challenging headwinds, the Ontex strategic priorities are delivering across. The turnaround in Europe is shaping up after several years of volume decline, linked to tender losses in the prior years. The volume gap reduced gradually in the year and importantly, the net gain/loss balance of these tenders was positive in the fourth quarter after seven negative quarters and continues to be so in 2022. Our growth path in North America continued, achieving 7% revenue growth. In adult care, a market driven by demographics, we achieved 3.6% growth, and in baby pants, another higher growth market, we made the necessary investments to capture our fair share and are back to growth.

Our focus on operational excellence across the business delivered €75 million in savings. We slimmed down our support structures, working on one platform for innovation and supply chain, across regions, and taking out management layers, and thereby brought our SG&A costs by €17 million to 11.6% of sales. Productivity gains across the supply chain and optimization across our plants and assets contributed €58 million.

And while it is clear that 2022 will be another challenging year as the remainder of the cost inflation will be reflected in our input costs, full year revenue is expected to return to growth in 2022 as Ontex's growth drivers develop and price incrases are implemented to reflect input cost inflation, The savings program will continue to deliver structural improvements to the cost base.

Revenue

Full year 2021 revenue of €2,026.4 million was down 1.5% on a like-for-like basis on lower volumes.

Overall top line was down 2.9% - this includes an adverse forex effect linked primarily to the devaluation of the Turkish lira, Brazilian real and, to a lesser effect, the US dollar.

Prices remained stable overall with a year-on-year increase in the second half of the year offsetting the decrease in the first half. Increases in the AMEAA division in the second half accelerated in the fourth quarter, offsetting a decrease in the Europe division resulting from pricing investments made on tenders in 2020 and early 2021.

Volumes were down 1.4%, with an improved performance in the second half, despite supply chain disruptions. These were mostly felt in the feminine care category as well as some lifestyle brands where specialized raw materials were unavailable.

Adjusted EBITDA

Adjusted EBITDA was €172.2 million, 26.9% lower year-on-year as margin decreased 2.8pp to 8.5%. The revenue decrease accounted for -1.00pp, while adverse forex and scope changes were -0.3pp. The inflation impact of €106 million for the year (€86 million from raw materials and €19 million from other operating costs) saw margin contract by -5.1pp combined. Oil-based ingredients such as SAP, non-woven materials and polyethylene backsheets accounted for the bulk of raw material inflation.

Gross cost savings of €75 million contributed +3.6pp to the margin. Ontex plans to generate recurring cost savings exceeding those achieved in 2021 and an annual savings' momentum of 4% of costs is forecasted.

Free cash flow

Free cash flow was €53 million, down €7 million, despite the more significant decrease in operating profit, as strict Capex and working capital discipline was maintained. Capex/ depreciation (corrected for the lease effect) was 90% and Capex/revenue was 2.8% as the company optimizes spend efficiency while continuing to secure investments in strategic growth and savings initiatives.

Net debt and leverage

In June the debt was refinanced with the issue of the €580 million bond at 3.5% and a €220 million term loan. Net debt stood at €725 million on December 31, 2021, €122 million lower year-on-year thanks to free cash flow and the €80 million arbitration settlement obtained on the Brazilian acquisition in October 2021. The leverage ratio was 4.2x versus 3.6x in 2020. For 2022, a waiver was obtained for the covenant tests on the term loan, which will allow Ontex to execute the operating and divestment plans in an orderly and value-accretive way, while still facing the inflationary headwinds, to come out stronger in 2023.

2,026 M€
Revenue (-1.5% LFL)

8.5%
Adj. EBITDA margin (-2.8pp): Unprecedented inflation impact of -5.1pp. Continued gross savings of +3.6pp

53 M€
Free Cash Flow (-€6.6 million)

4.2x
Leverage (vs 3.6x); net debt down (14.4%)

534 M€
Q4 Revenue (+0.7% LFL)

75 M€
Cost savings (4pc cost reduction)

CORPORATE GOVERNANCE STATEMENT

The Company is committed to upholding high standards of corporate governance. It applies the Belgian Corporate Governance Code (2020) for listed companies (the "**2020 Corporate Governance Code**"), which can be found on the website of the Belgian Corporate Governance Committee (http://www.corporategovernancecommittee.be).

Further, the Company has adopted a Corporate Governance Charter which describes the main aspects of the Company's corporate governance, including its governance structure and the terms of reference of the board of directors (the "**Board**"), as well as those of the Board committees and of the Executive Committee. The Charter is available on the Company's website (https://ontex.com/wp-content/uploads/2020/10/Ontex-Corporate-Governance-Charter-version-20201009.pdf).

Highlights of 2021 corporate governance matters

Ontex's ambition is to accelerate its path to profitable growth, for which corporate governance serves as a key catalyst. Over the course of the past financial year and building on the substantial steps taken in 2021, Ontex took further action towards its ambition to achieve "best-in-class" governance.

These further steps focus on five corporate governance themes: leadership, governance, remuneration, environment and sustainability, and investor engagement. Some highlights are summarized below and explained in further detail in this Corporate Governance Statement (and the related Remuneration Report).

With respect to leadership and governance, Ontex took action on all levels. At Board level, the Board was considerably strengthened at the May 2021 annual shareholders' meeting. Secondly, the Board committees have been leveraged to address business and strategic challenges, amongst other, by the creation of a Strategy Committee and by explicitly tasking the Audit and Risk Committee with Environmental, Social and Governance (ESG) matters. Thirdly at executive level, a new dynamic was created within the Executive Committee: Esther Berrozpe was appointed as new CEO and about half of the Executive Committee's members were replaced, including the appointment of a new CFO, a new president of the Europe Division and new Chief Supply Chain Officer. Building on work performed within the Remuneration and Nomination Committee, the Board and the Executive Management initiated various initiatives aimed at strengthening succession and development management at the various levels within the organization. With these clear actions, Ontex aims to create a new dynamic, drive a performance-based culture and accelerate the strategic decision-making, and build a solid, current and future, leadership basis.

These changes with respect to leadership and governance have created a strong momentum for an increased performance-based culture. With that aim the Board and management initiated a comprehensive overhaul of our executive remuneration policy. This new remuneration policy has been submitted for approval to, and approved by, the shareholders at the 2021 annual shareholders meeting.

ESG has since long been a core mission of Ontex. This is increasingly being recognized in external ratings, and it is our ambition to embed this even more in our strategy going forward. To that end ESG is increasingly being formalized into our governance, our remuneration systems and our communications. Among others, Ontex has published its Sustainability Strategy 2030 with ambitious, quantified targets and a clear roadmap, which can be found on the Ontex website (https://ontex.com/wp-content/uploads/2020/05/Sustainability-strategy-2030.pdf).

Lastly, Ontex has invested and continues to invest in shareholder engagement. Despite the Covid-crisis and building on its first corporate governance roadshow in early 2020, Ontex has conducted multiple in-depth discussions with shareholders and proxy advisors through a second corporate governance roadshow in early 2021. Ontex is committed to continue and reinforce this consistent, dynamic dialogue and alignment with investors.

Ambition going forward

Ontex's Board fosters the ambition to become a leading-edge Board, this way maximizing its added value towards the business. Going forward, the Board will continue its optimization endeavors on various levels. In 2020 it adopted a roadmap with actions towards that goal, covering such areas as Board leadership, strategic, risk and ESG alignment, people and composition, structure and process, and Board culture. In September 2021, the Board dedicated an extensive workshop to evaluating its progress made on that roadmap and agreed on further actions in each of these areas based on the assessment that was made.

1. BOARD AND EXECUTIVE MANAGEMENT

1.1. Board composition

On December 31, 2021, the Board was composed as follows:

Name	Mandate Board	Other Mandates per December 31, 2021	Mandate Since	Mandate Expires
ViaBylity BV, represented by Hans Van Bylen	Chair, Independent Director	SN Airholding NV, Etex NV, Lanxess AG	2020	2024
Regina SARL, represented by Regi Aalstad	Independent Director	McBride Plc	2019	2025
Inge Boets BV, represented by Inge Boets	Independent Director	Euroclear Holding NV, Euroclear NV, Econoholding NV, QRF Management NV, La Scoperta BV	2014	2022
Michael Bredael	Non-Executive Director	Upfield Group BV, Canyon Bicycles GmbH	2017	2025
Gustavo Calvo Paz	Non-Executive Director		2021	2025
Alane SRL, represented by Aldo Cardoso	Non-Executive Director	Bureau Veritas, Imerys, Worldline, DWS (Deutsche Wealth Management)	2019	2023
Philippe Costeletos	Non-Executive Director	RIT Capital Partners, Frigoglass, Mistral Fertility, Veritas Genomics Intercontinental, Digital Care, Vangest, Generation Home	2021	2025
Isabel Hochgesand	Independent Director		2021	2025
JH GmbH, represented by Jesper Hojer	Non-Executive Director	Meatless Farm, Everli, Nemlig.com	2021	2025
MJA Consulting, represented by Manon Janssen	Independent Director	Gimv, Puratos (CSR committee)	2021	2025
Frederic Larmuseau	Independent Director		2020	2022
Rodney Olsen	Non-Executive Director		2021	2025

Jonas Deroo, Executive VP Legal and Secretary General, is Secretary to the Board.

Further details on the changes in Board composition are detailed in chapter 1.2 of this statement.

The following paragraphs set out the biographical information, skills and experience of the members of the Board as at December 31, 2021, including information on other director mandates held by these members. The Company considers that its directors possess the necessary skillsets and right competencies to guide and support management in positioning the Company on the path to accelerated value delivery.

Hans Van Bylen

Chair of the Board of Directors, Independent Director

On May 25, 2020, ViaBylity BV, with Hans Van Bylen as permanent representative, was appointed Chair of Ontex Group NV. Hans Van Bylen, formerly CEO of Henkel, brings Ontex his deep knowledge of the industrial and consumer goods sector and breadth of experience spanning the FMCG industry, retail brand space, manufacturing and supply chain, digitalization, sustainability and leadership development. Hans Van Bylen previously served on the boards of GfK, Ecolab, the Consumer Goods Forum, the Alliance to End Plastic Waste and has been President of the German Chemical Industry Association (VCI). Moreover, he has also been member of the European Round Table for Industry (ERT). Hans Van Bylen holds a Master of Business Economics and an MBA from Antwerp Universities RUCA and UFSIA and certificates from executive education courses at Harvard Business School, INSEAD and IMD. In addition, Hans Van Bylen is also a board member at SN Airholding NV (Brussels Airlines), Etex and Lanxess.

Regi Aalstad

Independent Director

Regi Aalstad has been an Independent Director since 2017. On May 24, 2019, her mandate, which she exercises through Regina Sarl, with Regi Aalstad as permanent representative, was most recently renewed. Regi Aalstad has extensive leadership experience in global fast moving consumer goods, including in the categories in which the Company is active. Ms. Aalstad has held Regional General Manager and Vice President positions with Procter & Gamble in Asia, Europe, Middle East and Africa. Ms. Aalstad currently serves on the Board of McBride PLC, several tech start-ups and is an advisor to private equity. Ms. Aalstad has previous board experience at the Geberit Group, the Telenor group and as chair of an international NGO. Ms. Aalstad holds a Master of Business Administration in International Business from University of Michigan, USA.

Inge Boets

Independent Director

Inge Boets BV, with Inge Boets as its permanent representative, was appointed as Independent Director of Ontex Group NV as of June 30, 2014. Inge currently chairs the Audit and Risk Committee. She holds a master degree in applied economics from the University of Antwerp, Belgium. She was a partner with Ernst & Young from 1996 through 2011 where she was the Global Risk leader and held several other roles in audit and advisory. Currently, Inge is also an independent director and chairs the audit and risk committee of Euroclear Holding SA and Euroclear SA, and she chairs the board of Econopolis NV and Econopolis Wealth Management and of QRF City retail. In addition, Inge Boets is the owner and manager of La Scoperta BV.

Michael Bredael

Non-Executive Director

Michael Bredael is Investment Partner at Groupe Bruxelles Lambert (GBL) since 2016. He started his career at Towers Watson as a consultant in the United States (Atlanta and New York) in 2003 before joining the BNP Paribas Group in 2007. Michael held various Investment Banking positions at BNP Paribas, across different offices (New York, Paris, Brussels and London), particularly focusing on cross-border M&A transactions. From 2014 to 2016, he was Head of the M&A Execution Group of BNP Paribas London. Michael holds a master's degree in applied economics from EHSAL (KU Leuven). He is Director of Upfield Group BV and Canon Bicycles GmbH as a representative of Groupe Bruxelles Lambert.

Gustavo Calvo Paz

Non-Executive Director

Gustavo Calvo Paz, born in Argentina and residing in the UK, has vast international experience as an industry executive with an extensive background in operations, business turnarounds, and strategy within the FMCG sector. On May 25, 2021, Mr. Gustavo Calvo Paz was appointed as a Non-executive Director. He previously was the president of Kimberly Clark's EMEA division, and was an executive member of Kimberly Clark's Global Leadership Team. Prior to that, he held various senior roles at Kimberly Clark.

Aldo Cardoso

Non-Executive Director

On May 24, 2019, Aldo Cardoso was appointed as a Non-Executive Director. Aldo Cardoso is the Chair of the Board of Directors at Bureau Veritas and a Senior Advisor to CVC. Aldo is a member of the Board of Directors of Imerys, Worldline and DWS (Deutsche Wealth Management – Frankfurt). Aldo spent 24 years with Arthur Andersen in various senior leadership positions, including as the Firm's Senior Partner, Non-Executive Chair of Andersen Worldwide, President of Andersen for the Western European, and President of Andersen France. Aldo has been Senior Advisor at Deutsche Bank (Global Banking – Paris) from 2010 to 2014 and then at Deutsche Bank infrastructure fund in London from 2015 to 2018. Further, he has been a member of the Lehman Brothers European Advisory Committee (2004 to 2008) and has served on the Boards of various listed companies, including Orange, Accor, Rhodia, Gecina and Mobistar.

Philippe Costeletos

Non-Executive Director

On May 25, 2021, Philippe Costeletos was appointed as a Non-executive Director. Mr. Costeletos is the founder of Stemar Capital Partners. He has served as chair of International for Colony Capital, and as head of Europe at TPG Capital and member of TPG's Global Management and Investment Committees. Prior to that, Mr. Costeletos was a member of the management committee at Investcorp, and worked for JPMorgan Capital across Europe and Latin America and with Morgan Stanley in London and New York. Mr. Costeletos also is a senior independent director, chair of the remuneration and conflicts committees and member of the valuation committee at RIT Capital Partners. He is chair of Mistral Fertility and a board member of RIT Capital Partners, Frigoglass, Mistral Fertility, Veritas Genomics Intercontinental, Digital Care, Vangest and Generation Home.

Isabel Hochgesand

Independent Director

Isabel Hochgesand, is an executive with extensive international experience in procurement, supply chain, and marketing of consumer goods, including in the personal hygiene sector. On May 25, 2021, Isabel Hochgesand was appointed as an Independent Director. She currently is Chief Procurement Officer at Beiersdorf AG, a German multinational specialized in personal care products. Prior to that, Mrs. Hochgesand held various senior roles in various countries worldwide at Procter & Gamble, mostly of her 25 years of tenure in the personal hygiene sector. Mrs. Hochgesand was also the Managing Director for Supply Chain for P&G in Germany/Austria/Switzerland for all brands.

Jesper Hojer

Non-Executive Director

Jesper Hojer, has vast experience in the consumer goods and retail sectors, as well as with the creation and implementation of digital solutions in the retail sector, and has a broad international outlook. On May 25, 2021, Mr. Jesper Hojer was appointed as a Non-executive Director. He was until recently the CEO of Lidl International, one of the largest international chains of grocery stores. Currently, Mr. Hojer is a senior advisor at McKinsey & Company Inc., and also acts as chair of The Meatless Farm and as board member at Everli and nemlig.com.

Manon Janssen

Independent Director

Manon Janssen, is an executive with highly recognized experience in the fields of marketing, ESG and professional services in the public sector. She began her career at Procter & Gamble where she worked for 16 years in different countries and where she was responsible for major brands in the Paper and Health & Beauty Care divisions. In 2000, she became Vice President Marketing & Innovation at Electrolux Europe and in 2005 she became chief marketing officer worldwide at Philips Lighting. Mrs. Janssen currently is the CEO and chair of the board of management of Ecorys, a leading international research and advisory company which assists the public sector in making informed choices with regard to the Grand Societal Challenges and their subsequent transition issues. In addition, she chairs several expert committees in the field of energy transition and climate change, and is a director at GIMV.

Frederic Larmuseau

Independent Director

Mr. Larmuseau brought to Ontex extensive experience in the consumer goods sector and a broad international outlook. Previously, he was the CEO of Jacobs Douwe Egberts, the Dutch coffee and tea company that recently listed on Euronext Amsterdam under the name JDE Peets Group. Prior to that, he worked for nearly 17 years at Reckitt Benckiser in several senior management positions in the Americas, Asia and the Middle East, following 7 years at Procter & Gamble in several senior marketing and management roles.

Rodney Olsen

Non-Executive Director

Rodney G. Olsen, a U.S. national, is an experienced international finance executive within the FMCG sector. He is a former CFO of Kimberly Clark's APAC division, and prior to that he held various senior roles at Kimberly Clark, including CFO International, CFO Global Finance Operations and CFO of the EMEA region and was responsible for large international M&A transactions. Prior to joining Kimberly Clark, he was senior manager Audit at EY, and senior manager SEC Reporting at the LTV Corporation.

Changes after December 31, 2021

Frederic Larmuseau resigned from the Board of Directors and the Strategy Committee with effect from January 11, 2022.

Philippe Costeletos has informed the Board of his wish to resign from the Board and the Remuneration and Nomination Committee with effect from the annual shareholders meeting of the Company that will consider the approval of the annual accounts for the financial year that ended on December 31, 2021.

Competency matrix

The following table shows the capabilities that have been identified as important to have, given Ontex's current context and strategic challenges, and how the Board's current composition covers these.[1]

	Hans Van Bylen	Regi Aalstad	Inge Boets	Michael Bredael	Aldo Cardoso	Isabel Hochgesand	Manon Janssen	Jesper Hojer	Rodney Olsen	Gustavo Paz
Experience										
Current/Past CEO	•				•		•	•		
International Experience	•	•	•	•	•	•	•	•	•	•
Expertise										
Executive in FMCG/Retail	•	•				•	•	•	•	•
Functional Executive (Operations, Procurement, Commercial)	•	•				•	•	•		•
Financial/Audit			•	•	•				•	
Capital Markets				•	•					
Diversity										
Gender										
Male	•			•	•			•	•	•
Female		•	•			•	•			
Regional origin										
Belgium	•		•	•			•			
International		•			•	•		•	•	•
Compliance										
Independent Director	•	•	•			•	•			

1.2. Board evolution in 2021

The composition of the Board underwent significant changes during 2021, as follows. On March 29, 2021, Desarrollo Empresarial Joven Sustentable SC, with Juan Gilberto Marin Quintero as its permanent representative, resigned as director of the Company. At the 2021 annual shareholders' meeting, six new directors were appointed, i.e., Isabel Hochgesand and Manon Janssen as independent directors, and Gustavo Calvo Paz, Philippe Costeletos, Jesper Hojer and Rodney Olsen as non-executive directors. On the same date, Manon Janssen and Jasper Hojer resigned from the Board, and the Board decided to co-opt, respectively, MJA Consulting BV, with Manon Janssen as permanent representative, and JH GmbH, with Jesper Hojer as permanent representative. Further, on July 28, 2021, Aldo Cardoso resigned from the Board, and on the same date the Board decided to co-opt Alane SRL, with Aldo Cardoso as permanent representative.

1 Mr Frederic Larmuseau and Mr Philippe Costeletos are not included in this overview as Mr Larmuseau has resigned with effect from 11 January 2022 and Mr Philippe Costeletos has informed the Board of his wish to resign from the Board and the Remuneration and Nomination Committee with effect from the annual shareholders meeting of the Company that will consider the approval of the annual accounts for the financial year that ended on December 31, 2021.

1.3. Board responsibilities and engagement

The individual attendance rate to the Board meetings during 2021 was as follows:

Name	Board Attendance[2]	Attendance Rate
ViaBylity BV, represented by Hans Van Bylen	15/15	100%
Regina SARL, represented by Regi Aalstad	15/15	100%
Inge Boets BV, represented by Inge Boets	15/15	100%
Michael Bredael	15/15	100%
Gustavo Calvo Paz[3]	9/9	100%
Alane Srl, represented by Aldo Cardoso[4]	15/15	100%
Philippe Costeletos[5]	9/9	100%
Isabel Hochgesand[6]	8/9	88.89%
JH GmbH, represented by Jesper Hojer[7]	9/9	100%
MJA Consulting, represented by Manon Janssen[8]	9/9	100%
Frederic Larmuseau	14/15	93.33%
Desarrollo Empresarial Joven Sustentable SC, represented by Gilberto Marin Quintero[9]	3/3	100%
Rodney Olsen[10]	9/9	100%

During 2021, the Board met 15 times, with an attendance rate close to 100%.

The agenda included recurring items such as the oversight of the operational and financial performance, review of the Company's medium and long-term strategy and business plan, as well as the review of strategic projects (such as the refinancing project concluded in June 2021). The review of the strategic orientation of the company, which concluded with the announcement thereof at the Investor Update held in December 2021, in particular required above-average Board engagement.

1.4. Board review and assessments

In early 2021, Ontex conducted a periodic Board assessment with the assistance of an external advisor, including a review of the composition and competencies of the Board. This led to the nomination of new directors to the Board for approval by the annual shareholders meeting held in May 2021 (see under "Board evolution in 2021" above).

In 2020, the Board adopted a roadmap with actions towards the goal of becoming a leading-edge Board, covering such areas as Board leadership, strategic, risk and ESG alignment, people and composition, structure and process and Board culture. In September 2021, the Board dedicated an extensive workshop to evaluate its progress made on that roadmap and agreed on further actions in each of these areas based on the assessment that was made.

1.5. Board Committees

2021 highlights

During the past financial year, and after thorough evaluation of the learnings of the 2020 Board assessment and the first and second corporate governance shows (held in 2020 and 2021 respectively), the Company has taken various decisive actions in terms of governance, by reviewing the composition, mission and functioning of the Board Committees, as follows.

First, the Board has created a Strategy Committee. The Strategy Committee, which is an advisory committee, aims to enhance and expedite the Board's strategic decision-making, and to support Management's reshaping of the Company's strategic agenda.

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2 The attendance rate is based on the number of Board meetings held during the mandate of the respective Board members.

3 Gustavo Calvo Paz has been appointed as a member of the Board of Directors on May 25, 2021 and only 9 meetings of the Board of Directors occurred after that date.

4 Until July 21, 2021, Aldo Cardoso was member of the Board in his own name. On July 21, 2021, Aldo Cardoso resigned from the Board and, on the same date, the Board decided to co-opt Alane SRL, with Aldo Cardoso as permanent representative.

5 Philippe Costeletos has been appointed as a member of the Board of Directors on May 25, 2021 and only 9 meetings of the Board of Directors occurred after that date.

6 Isabel Hochgesand has been appointed as a member of the Board of Directors on May 25, 2021 and only 9 meetings of the Board of Directors occurred after that date.

7 JH GmbH, represented by Jesper Hojer, has been appointed as a member of the Board of Directors on May 25, 2021 and only 9 meetings of the Board of Directors occurred after that date.

8 MJA Consulting, represented by Manon Janssen, has been appointed as a member of the Board of Directors on May 25, 2021 and only 9 meetings of the Board of Directors occurred after that date.

9 Desarrollo Empresarial Joven Sustentable SC, represented by Gilberto Marin Quintero, resigned from the Board of Directors on March 29, 2021.

10 Rodney Olsen has been appointed as a member of the Board of Directors on May 25, 2021 and only 9 meetings of the Board of Directors occurred after that date.

Continued care and attention has been given throughout the year to ensure that the Board remained fully in charge of the strategic decisions to be taken by the Company (thereby leveraging the Strategy Committee's advice in this respect).

Additionally, the Board has resolved to put Environmental, Sustainability and Governance (ESG) forward as a separate and explicit item on the agenda of the Audit and Risk Committee, ensuring a higher focus on this critical matter, as further detailed below.

Audit and Risk Committee

In accordance with Article 7:99, §2 of the Belgian Code of Companies and Associations and the 2020 Corporate Governance Code, all members of the Audit and Risk Committee are Non-Executive Directors. While the legal requirement is to have at least one member who is independent, the Board decided that the Audit and Risk Committee should comprise a majority of independent members and that the mandate of Chair of the Audit and Risk Committee cannot be cumulated with the mandate of Chair of the Board. The chair and members of the Audit and Risk Committee collectively have the required skills and expertise regarding accounting and audit.

On December 31, 2021, the Audit and Risk Committee was composed as follows:

Name	Position
Inge Boets BV, represented by Inge Boets	Independent Director, Chair of the Audit and Risk Committee
Michael Bredael	Non-Executive Director
Rodney Olsen	Non-Executive Director
ViaBylity BV, represented by Hans Van Bylen	Independent Director

During 2021, the Audit and Risk Committee met 7 times. The attendance rate was 96.43%:

Name	A&R Committee Meetings Attended[11]	Attendance Rate A&R Committee
Inge Boets BV, represented by Inge Boets	7/7	100%
Michael Bredael	7/7	100%
Rodney Olsen[12]	4/4	100%
ViaBylity BV, represented by Hans Van Bylen[13]	6/7	85.71%

Jonas Deroo, Executive VP Legal and Secretary General, is appointed as Secretary of the Audit and Risk Committee.

The Audit and Risk Committee is entrusted with the tasks set out in Article 7.99, §4 of the Belgian Code of Companies and Associations. It decided on the agenda, frequency and topics of its meetings, and reviewed the external and internal audit plan as well as compliance reporting, the half year financial statements and the external review on the half-year financial statements, the quarterly financial information contained in the Q1 and Q3 trading updates, the key risks, and the ESG agenda of the Company.

With respect to its roles and responsibilities, as further described within the Ontex' Corporate Governance Charter, the Board made a clear choice to formally tasking the Audit and Risk Committee with the oversight of the Company's ESG initiatives, including:

- to assess, review and prepare the decision-making of the Board on ESG actions and practices presenting new opportunities for the Company;
- to monitor and oversee the process for the development of ESG information and identify ways to integrate ESG information into the reporting cycle; and
- to measure and monitor the Company's performance on ESG matters and their impact on society in order to take account of the multidimensional nature of corporate social responsibility.

Remuneration and Nomination Committee

In accordance with Article 7:100, §2 of the Belgian Code of Companies and Associations and the 2020 Corporate Governance Code, all members of the Remuneration and Nomination Committee are Non-Executive Directors and the majority of the members are independent in accordance with the criteria set out in Article 7:87, §1 of the Belgian Code of Companies and Associations. The members also have the necessary expertise in the field of remuneration.

On December 31, 2021, the Remuneration and Nomination Committee was composed as follows:

Name	Position
ViaBylity BV, represented by Hans Van Bylen	Independent Director, Chair of the Remuneration and Nomination Committee

[11] The attendance rate is based on the number of Board Committee meetings held during the mandate of the respective board committee members.

[12] Rodney Olsen has been appointed as a member of the Audit and Risk Committee on May 25, 2021 and only 4 meetings of the Audit and Risk Committee occurred after that date.

Alane srl, represented by Aldo Cardoso	Non-Executive Director
Philippe Costeletos	Non-Executive Director
Isabel Hochgesand	Independent Director
MJA Consulting, represented by Manon Janssen	Independent Director

During 2021, the Remuneration and Nomination Committee met 7 times. The attendance rate was 100%:

Name	R&N Committee Meetings Attended[14]	Attendance Rate R&N Committee
ViaBylity BV, represented by Hans van Bylen	7/7	100%
Regina SARL, represented by Regi Aalstad	6/7	85.71%
Alane Srl, represented by Aldo Cardoso	7/7	100%
Philippe Costeletos[15]	1/1	100%
Isabel Hochgesand[16]	1/1	100%
MJA Consulting, represented by Manon Janssen[17]	1/1	100%

Jonas Deroo, Executive VP Legal and Secretary General, is Secretary of the Remuneration and Nomination Committee.

The Remuneration and Nomination Committee is entrusted with the tasks set out in Article 7:100, §5, of the Belgian Code of Companies and Associations.

During 2021, the Remuneration and Nomination Committee reviewed the following topics:

- the leadership changes within the Board and the Executive Committee;
- substantive revision of the remuneration policy, including the executive remuneration, terms and conditions of employment in general, the key performance indicators and the long-term incentive plan, as further described in the remuneration report;
- review of performance of the Executive Committee members; and
- succession and leadership development management.

Strategy Committee

The Strategy Committee has been created on October 9, 2020. The purpose of establishing this committee is to reshape the Company's strategic agenda, to expedite the Board's strategic decision-making, and to shift focus to long term, forward looking items. The committee reports to the Board.

On December 31, 2021, the Strategy Committee was composed as follows:

Name	Position
ViaBylity BV, represented by Hans Van Bylen	Independent Director, Chair of the Strategy Committee
Regina SARL, represented by Regi Aalstad	Independent Director
Gustavo Calvo Paz	Non-Executive Director
JH GmbH, represented by Jesper Hojer	Non-Executive Director
Frederic Larmuseau	Independent Director

During 2021, the Strategy Committee met 11 times. The attendance rate was as 98.18%:

Name	Strategy Committee Meetings Attended	Attendance Rate Strategy Committee
ViaBylity BV, represented by Hans Van Bylen	11/11	100%
Regina SARL, represented by Regi Aalstad	11/11	100%
Gustavo Calvo Paz[18]	6/6	100%

[14] The attendance rate is based on the number of Board Committee meetings held during the mandate of the respective Board committee members.

[15] Philippe Costeletos has been appointed as a member of the Remuneration & Nomination Committee on May 25, 2021 and only one meeting of the Remuneration and Nomination Committee occurred after that date.

[16] Isabel Hochgesand has been appointed as a member of the Remuneration & Nomination Committee on May 25, 2021 and only one meeting of the Remuneration and Nomination Committee occurred after that date.

[17] MJA Consulting, represented by Manon Janssen, has been appointed as a member of the Remuneration & Nomination Committee on May 25, 2021 and only one meeting of the Remuneration and Nomination Committee occurred after that date.

[18] Gustavo Calvo Paz has been appointed as a member of the Strategy Committee on May 25, 2021 and only 6 meetings of the Strategy Committee occurred after that date.

JH GmbH, represented by Jesper Hojer[19]	6/6	100%
Frederic Larmuseau	10/11	90.91%

Jonas Deroo, Executive VP Legal and Secretary General, is Secretary of the Strategy Committee.

As set forth in Article 5.4 of the Ontex Corporate Governance Charter, the Strategy Committee advises the Board principally on matters regarding the Company's strategy and long-term value creation, and, in particular:

- focusing on the Group's sense of purpose, strategic priorities and values as a key driver for innovation, growth and leadership;
- assessing industry developments and the impact of industry trends and changes in the competitive activity on the business plan and the Company's performance;
- reviewing the Company's medium and long-term strategy and the business plan, as prepared by the Executive Committee before they are submitted to the Board;
- preparing the decision-making of the Board in relation to strategic aspects of transactions or other operations presented to the Board. To this end, the Strategy Committee issues recommendations on strategic transactions or other strategic operations (such as acquisition or disposal of companies/significant assets, creating or discontinuing presence in a country, diversification into a new business or discontinuation of a certain business, the entry into or termination of strategic alliances or longer-term cooperation agreements, etc.) presented by the CEO and/or the Executive Committee to the Board; and
- monitoring the implementation of strategic projects and of the business plan including the Company's progress against strategic goals.

During 2021, the Strategic Committee focused mainly on strategic review and the examination of strategic growth projects/opportunities.

1.6. Executive Management

The following table shows the composition of the Executive Committee on December 31, 2021:

Position	Situation per December 31, 2021
Chief Executive Officer	Esther Berrozpe
Chief Financial Officer and Executive Vice-President Finance and IT	Peter Vanneste
Chief Supply Chain Officer	Vincent Crepy
President of the AMEAA Division	Armando Amselem
President of the Europe Division	Laurent Nielly
Executive Vice-President Human Resources	Astrid De Lathauwer
Executive Vice-President R&D and Sustainability	Annick De Poorter
Executive Vice-President Legal and Secretary General	Jonas Deroo

Further details on the changes in composition of the Executive Committee are detailed further in this statement. The following paragraphs set out the biographical information, skills and experience of the current members of the Executive Committee.

Esther Berrozpe

Chief Executive Officer

Esther Berrozpe was appointed on January 1, 2021 as Chief Executive Officer. Esther has 30 years of experience in the consumer goods area through marketing and commercial roles within FMCG at Paglieri (personal care), Sara Lee (underwear) and Wella (cosmetics) and senior P&L leadership roles at Whirlpool (BTC and BTBTC) in Europe and in the USA. In her last role at Whirlpool, Esther was member of the Global Executive Committee as EVP and President of Europe, Middle East and Africa, having the full P&L responsibility for its $5 billion business in EMEA, with 24,000 employees across 35 countries, 15 production sites and distribution to more than 140 countries. In addition, Esther is a member of the board of directors of Fluidra.

Peter Vanneste

Chief Financial Officer and Executive Vice-President Finance and IT

Peter Vanneste took up the position of Chief Financial Officer on May 1, 2021. Peter brings vast experience in finance and general management in the Fast-Moving Consumer Goods sector from his time spent in senior roles at Jacobs Douwe Egberts, where he was Group CFO, and Procter & Gamble.

[19] JH GmbH, represented by Jesper Hojer has been appointed as a member of the Strategy Committee on May 25, 2021 and only 6 meetings of the Strategy Committee occurred after that date.

Vincent Crepy

Chief Supply Chain Officer

Vincent Crepy took up the new role of Chief Supply Chain Officer, on May 1, 2021. The position has been specially created to closely manage our supply chain end-to-end, drive a step change in our customer service level and maximize operational efficiencies. He joins Ontex with strong international experience from consumer goods companies such as Procter & Gamble, Reckitt Benckiser, Ventura Foods and Scandinavian Tobacco Group in which he held important leadership positions in operations in the US, Europe, Central America, and Asia-Pacific.

Armando Amselem

President of the AMEAA Division

He joined the Ontex Group in May 2016 as President of the Americas Division. Armando joined Ontex from Vita Coco where he served as Global Chief Financial Officer. Prior to Vita Coco, Armando Amselem held various management positions in Europe and the US during his 20-year career with PepsiCo, including General Manager of Tropicana North America and General Manager of PepsiCo France. He also worked for Santander Investment Bank, and Alella Vinicola. Armando holds an MBA from New York University Leonard Stern School of Business, USA, a master's degree in Enology and a bachelor's degree in Agronomic Engineering and Food Sciences from Universidad Politecnica de Barcelona in Spain.

Laurent Nielly

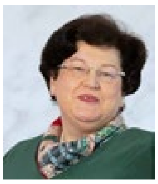
President Europe Division

Laurent Nielly joined the Ontex Group in July 2017 to lead the then acquired business in Brazil, and has been appointed as President of the Europe Division in January 2021. He was promoted to President of the Europe Retail Division in February 2021 and as of July 2021 he leads the Europe activities after the combination of Retail and Healthcare Divisions. Laurent Nielly is also bringing more than 25 years of experience earned in Europe, the US and Latin America and across companies like P&G, McKinsey & Company, PepsiCo and Coty. He started in finance and strategy, developed expertise in innovation and commercial excellence before taking P&L responsibilities.

Astrid De Lathauwer

Executive Vice-President Human Resources

Astrid De Lathauwer joined the Ontex Group on October 1, 2014 after holding a number of leading human resources functions. Astrid held international HR leadership roles at AT&T in Europe, at their US headquarters, and at Monsanto. For 10 years, Astrid was the Chief HR Officer of Belgacom. Before joining the Ontex group, she was Managing Director of Acerta Consult. Astrid holds degrees in Political & Social Science and History of Art. Astrid is a board member at, and chairs the remuneration committee of, Colruyt and Immobel.



Annick De Poorter

Executive Vice-President R&D, Quality and Sustainability

Annick De Poorter joined the Ontex Group in 2003 as the R&D Manager of Feminine Hygiene and was promoted to R&D and Quality Director in January 2009. Before joining the Group, she worked at Libeltex NV in Belgium, and prior to that, she was a Scientific Researcher at University of Ghent, Belgium. Annick holds a master's degree in Civil Engineering in Textiles from the University of Ghent, Belgium.

Jonas Deroo

Executive Vice-President Legal & Secretary General

Jonas Deroo joined the Ontex Group in April 2015. Jonas Deroo holds a law degree of the University of Ghent, Belgium and a Master of Laws degree from Harvard University, US. Prior to joining the Ontex Group, Jonas was Associate General Counsel at Bpost, the Belgian postal operator. He started his career as an attorney at the Brussels Bar.

Changes after December 31, 2021

Astrid De Lathauwer, Executive Vice-President Human Resources, resigned from the Executive Committee on January 1, 2022, and was replaced by Stephanie McDonald as of December 30, 2021.

Stephanie McDonald was appointed Chief Human Resources Officer and a member of the Executive Committee of Ontex on December 30, 2021. Stephanie McDonald joined Ontex from Parkland Corporation, where she was Senior Vice President, People & Culture. There, she worked closely with the CEO and senior leadership team to develop the company's capabilities, culture and organization to align with the company's significant growth. Prior to that, Stephanie spent 17 years with Holcim in a variety of progressive HR leadership roles, including in Canada, the United States and Switzerland. Stephanie's experience and expertise lie at the intersection of strategy, people and culture.

On January 31, 2022 Armando Amselem, president of the AMEAA Division, left the Executive Committee. His role was taken over on an ad interim basis by two business leaders (responsible respectively for the North American and the Emerging Markets regions) reporting directly to the CEO.

Executive Management evolution in 2021

Over the course of 2021, the Executive Committee underwent substantial changes in terms of leadership. A new dynamic was created within the Executive Committee: Esther Berrozpe was appointed as new CEO and more than half of the Executive Committee's members were replaced, including the appointment of a new CFO, a new president of the Europe Division and a new Chief Supply Chain Officer.

Functioning of the Executive Management Committee

The powers of the Executive Committee include the operational management and organization of the Company, developing or updating on a yearly basis the overall strategy and business plan of the Company and submitting it to the Board for approval, monitoring the implementation of the overall strategy and business plan of the Company, supporting the CEO in the daily management of the Company and the exercise of her responsibilities, preparing the Company's financial statements and presenting accurate and balanced evaluations of the Company's financial situation to the Board and providing the Board with the information it needs in order to properly fulfil its duties, setting up and maintaining policies related to the risk profile of the Company and systems to identify, assess, manage and monitor financial and other risks within the framework set out by the Board and the Audit and Risk Committee.

The size and composition of the Executive Committee is determined by the Board acting on a proposal of the CEO, who chairs the Executive Committee. Members of the Executive Committee are appointed by the Board based on a proposal of the CEO and upon recommendation of the Remuneration and Nomination Committee. Members of the Executive Committee are appointed for an indefinite period and can be dismissed by the Board at any time or cease to be a member of the Executive Committee if their management agreement with the Company terminates.

The CEO leads and chairs the Executive Committee. The CEO is vested with the day-to-day management of the Company. In addition, she exercises the special and limited powers assigned to her by the Board or the Executive Committee. The CEO is a permanent invitee to the Board and reports to the Board on a regular basis, including on the actions taken by the Executive Committee.

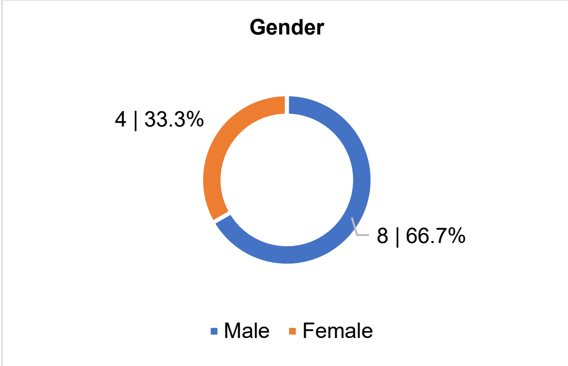
During 2021, the Executive Committee met bi-weekly and discussed, among others, the following topics:

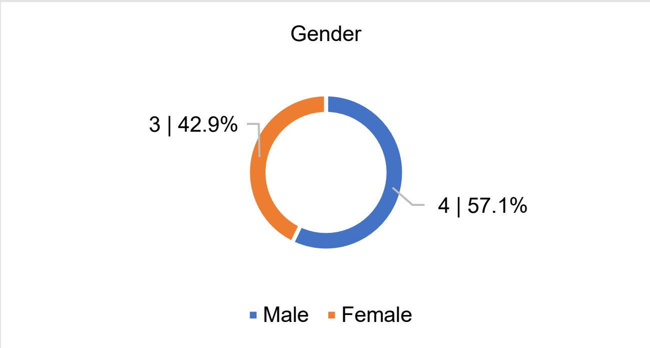
- strategic review;
- action plan following COVID-pandemic;
- strategic growth projects;
- financial and operational performance;
- organizational model;
- Ontex's Sustainability Strategy 2030; and
- internal controls and compliance review.

1.7. Diversity within the Board and Management Committee

Ontex continues to promote diversity and equal opportunities. The Company has adopted a diversity policy.

In practice, on January 1, 2022, the Company had 4 female Board members, *ie,* Inge Boets, as permanent representative of Inge Boets BV, Regi Aalstad, as permanent representative of Regina SARL, Manon Janssen, as permanent representative of MJA Consulting, and Isabel Hochgesand, together representing 33,3% of the Board members. The Remuneration and Nomination Committee evaluates the composition of the Board on a yearly basis and formulates suggestions to the Board, while, among other things, taking into account the gender composition and other diversity elements. The Company complies with the requirement that at least one-third of the members of the Board should be of the opposite gender as the gender of the majority, as set out in Article 7:86 of the Belgian Code of Companies and Associations.





On January 1, 2022, Ontex's Executive Committee counted three female members out of seven, or 42.9%. The Executive Committee is led by Esther Berrozpe. Being one of the few female CEOs of Belgian listed companies, she plays a true exemplary role.

2. SHARE CAPITAL, SHAREHOLDERS AND INVESTOR ENGAGEMENT

2.1. Share Capital and capital evolution

At December 31, 2021, the share capital of Ontex Group NV amounted to €823,587,466.38 and was represented by 82,347,218 shares without nominal value. Each share represents 1/82,347,218th of the capital and carries one vote. The shares are listed on Euronext Brussels.

The Company adopted various Long-Term Incentive Plans (“LTIP”). None of the share instruments granted confer any shareholder rights prior to the exercise or vesting of the respective instruments. The shares to be delivered to participants are existing shares of the Company with all rights and benefits attached to such shares. A more detailed description of the LTIP is set out in the Remuneration Report and Remuneration Policy.

The grants made by Ontex under its LTIP provide for a three-year vesting period. Accordingly, the grants that were made in 2018 vested as from 2021.

Ontex has entered into certain forward purchase agreements in order to hedge its obligations under grants made in the framework of its LTIP. These consist of one-year forward purchase agreements, which are being extended on a yearly basis.

As of December 31, 2021, the following forward purchase agreements were outstanding in respect of Ontex’s own shares:

Date	Maturity	Number of shares	Strike Price	Highest Price	Lowest Price
Originally entered into on July 1, 2016 and extended on June 22, 2021	June 21, 2022	291,757	€ 28.965	€ 30.515*	€ 27.145*
Originally entered into on June 22, 2017 and extended on June 22, 2021	June 21, 2022	332,043	€ 32.298	€ 33.405**	€ 31.555**
Originally entered into on June 22, 2018 and extended on June 22, 2021	June 21, 2022	536,409	€ 22.4709	€ 24.240***	€ 19.200***

* The highest price and lowest price, respectively, reflects the highest price and lowest price of Ontex shares on Euronext Brussels during the period June 20, 2016 until July 1, 2016 during which underlying Ontex shares were bought by its counterparty under the forward purchase agreement and on the basis of which the strike price of € 28.965 was determined.

** The highest price and lowest price, respectively, reflects the highest price and lowest price of Ontex shares on Euronext Brussels during the period June 7, 2017 until June 22, 2017 during which underlying Ontex shares were bought by its counterparty under the forward purchase agreement and on the basis of which the strike price of € 32.298 was determined.

*** The highest price and lowest price, respectively, reflects the highest price and lowest price of Ontex shares on Euronext Brussels during the period May 29, 2018 until June 22, 2018 during which underlying Ontex shares were bought by its counterparty under the forward purchase agreement and on the basis of which the strike price of € 22.4709 was determined.

More details about the vested stock options and RSUs can be found in the Remuneration Report.

More details about the forward purchase agreements can be found in the financial statements, note 7.5.6.

Pursuant to the above, on December 31, 2021, 220,931 shares of the Company were held by the Company.

On December 31, 2021, 16,355,865 shares of the Company were registered shares.

2.2. Shareholder evolution

Pursuant to the Company’s Articles of Association and Corporate Governance Charter, the applicable successive thresholds as regards the application of the Law of 2 May 2007 on the disclosure of significant shareholdings in issuers whose shares are admitted to trading on a regulated market and other provisions (the “**Law of 2 May 2007**”) and the Royal Decree of 14 February 2008 on the disclosure of significant shareholdings, are set at 3%, 5%, 7.5%, 10% and any subsequent multiples of 5%.

In the course of 2021, the Company received the following transparency declarations:

On January 4, 2021, Zadig Asset Management SA notified the Company that as a result of the disposal of voting securities or voting rights, it holds no shares in Ontex and has so crossed the threshold of 3% of voting securities in Ontex downward on.

On April 22, 2021, Groupe Bruxelles Lambert and its affiliated entities, notified the Company that it holds, as a result of the acquisition of voting securities or voting rights, 16,454,453 shares in Ontex and has so crossed the threshold of 15% of voting securities in Ontex upward to 19.98%.

On July 24, 2021, Veraison SICAV – Engagement Fund notified the Company that it holds, as a result of the acquisition of voting securities or voting rights, 2,497,800 shares in Ontex and has so crossed the threshold of 3% of voting securities in Ontex upward to 3.03%.

We refer to our website for transparency declarations received after December 31, 2021.

2.3. Shareholder structure

Based on the transparency declarations received by the Company, the shareholder structure of the Company on December 31, 2021[1] was as follows:

Shareholders	Shares	%[2]	Date threshold crossed
Groupe Bruxelles Lambert SA	16,454,453	19.98%	April 20, 2021
ENA Investment Capital	12,411,999	15.07%	April 29, 2020
The Pamajugo Irrevocable Trust	2,722,221	3.64%	February 29, 2016
Veraison SICAV – Engagement Fund	2,497,800	3.03%	July 20, 2021

To the knowledge of the Company, no shareholders' agreements are currently in place.

2.4. Investor engagement

Over the course of 2021 and despite the Covid-19 crisis, the Board and management pursued their engagement with investors, through regular calls and roadshows and multiple in-depth discussions.

In early 2021, the Company also conducted a second corporate governance roadshow.

After taking over as CEO at the start of 2021, Esther Berrozpe has presented and explained the newly developed strategy, together with her new executive team, on two occasions, i.e. on June 26, 2021, and December 15, 2021. These events were virtual and webcasted. Besides these presentations, numerous group and individual virtual meetings were set up to interact with financial analysts and investors, following the investor updates and the regular results publications.

2.5. Dealing and Disclosure Code

Ontex gives utmost priority to the compliance with applicable market abuse regulations. On June 3, 2014, the Board approved the Ontex Dealing and Disclosure Code (the "**Dealing and Disclosure Code**"). The Dealing and Disclosure Code was subsequently amended on April 2, 2015 and most recently on June 28, 2016. The Dealing and Disclosure Code restricts transactions in the Company's securities by members of the Board and of the Executive Committee, and by certain senior employees of the Ontex Group during closed and prohibited periods. The Dealing and Disclosure Code also contains rules concerning the internal approval of intended transactions, as well as the disclosure of executed transactions through a notification to the Belgian Financial Services and Markets Authority, and disclosure of inside information. The Associate General Counsel Corporate is the Compliance Officer for purposes of the Dealing and Disclosure Code.

[1] Updates subsequent to December 31, 2021 are described on our website (https://ontex.com/investors/shareholder-resources-center/).

[2] Percentage based on the outstanding share capital of the Company at the time of the declaration.

3. RELEVANT INFORMATION IN THE EVENT OF A TAKEOVER BID

Article 34 of the Royal Decree of November 14, 2007 on the obligations of issuers of securities which have been admitted to trading on a regulated market, requires that listed companies disclose certain items that may have an impact in the event of a takeover bid.

3.1. Capital Structure

A comprehensive overview of our capital structure at December 31, 2021 can be found in chapter 2 of this Corporate Governance Statement.

3.2. Restrictions on transfers of securities

The Company's Articles of Association do not impose any restrictions on the transfer of shares in the Company. Furthermore, the Company is not aware of any such restrictions imposed by Belgian law except in the framework of market abuse rules, and neither is the Company aware of any agreements between shareholders which may result in restrictions on the transfer of securities and or the exercise of voting rights.

3.3. Holders of securities with special control rights

There are no holders of securities with special control rights.

3.4. Employee share plans where the control rights are not exercised directly by the employees

The Company's shares to be delivered to participants upon exercise of the stock options or vesting of the RSUs or performance shares in the framework of the LTIP are existing ordinary shares in the Company with all rights and benefits attached to such shares. A more detailed description of the LTIP is set out in the Remuneration Policy and report.

The Company has not set up employee share plans where control rights over the shares are not exercised directly by the employees.

3.5. Restrictions on the exercise of voting rights

The Articles of Association of the Company do not contain any restrictions on the exercise of voting rights by shareholders, provided that the shareholders concerned comply with all formalities to be admitted to the shareholders' meeting and their voting rights are not suspended in one of the events set out in the Articles of Association or the Belgian Code of Companies and Associations. Pursuant to Article 11 of the Company's Articles of Association, the Board is entitled to suspend the exercise of rights attaching to shares belonging to several owners.

The Company is not aware of any restrictions imposed by Belgian law on the exercise of voting rights by the shareholders.

3.6. Rules on appointment and replacement of Board members

The maximum term of office of directors under Belgian law is limited to six years (renewable) but the 2020 Corporate Governance Code recommends that it be limited to four years (Recommendation 5.6). The appointment and renewal of directors is subject to approval by the shareholders' meeting, upon proposal by the Board on the basis of a recommendation of the Remuneration and Nomination Committee.

3.7. Rules on amendments to the Articles of Association

Save for capital increases decided by the Board within the limits of the authorized capital or a change of the seat of the Company (provided such change does not trigger the application of different rules on the use of languages by companies than those that currently apply to the Company), only an extraordinary shareholders' meeting is authorized to amend the Company's Articles of Association. An extraordinary shareholders' meeting may only deliberate on amendments to the Articles of Association if at least 50% of the share capital is represented. If the above attendance quorum is not reached, a new extraordinary shareholders' meeting must be convened, which will validly deliberate regardless of the portion of the share capital represented at the shareholders' meeting. As a rule, amendments to the Articles of Association are only adopted if approved by at least 75% of the votes cast. The Belgian Code of Companies and Associations provides for more stringent majority requirements in specific instances, such as for modifications of the Company's corporate object clause.

3.8. Authorized capital

On May 25, 2018, the extraordinary shareholders' meeting renewed the authorization to the Board with respect to authorized capital under the following conditions:

The Board may increase the registered capital of the Company in one or several times by an amount cumulated over five years of maximum 50% of the amount of the registered capital as such amount is recorded immediately after the shareholders' meeting of May 25, 2018, of which maximum 20% of the amount of the registered capital as such amount is recorded immediately after the shareholders' meeting of May 25, 2018, in the event of a capital increase with cancellation or limitation of the preferential subscription rights of the shareholders.

This authorization may be renewed in accordance with the relevant legal provisions. The Board can exercise this power for a period of five years as from the date of publication in the Annexes to the Belgian State Gazette of the amendment to the Articles of Association approved by the shareholders' meeting on May 25, 2018.

3.9. Acquisition of own shares

On May 25, 2018, the Extraordinary Shareholders' meeting renewed the authorization towards the Board with respect to the acquisition of own shares subject to the following conditions:

The Company may, without any prior authorization of the shareholders' meeting, in accordance with Articles 620 ff. of the (former) Belgian Companies Code and within the limits set out in these provisions, acquire, on or outside the stock market, up to 10% of its own shares, profit-sharing certificates or associated certificates for a price which will respect the legal requirements, but which will in any case not be more than 10% below the lowest closing price in the last thirty trading days preceding the transaction and not more than 5% above the highest closing price in the last thirty trading days preceding the transaction. This authorization is valid for five years from May 25, 2018. This authorization covers the acquisition on or outside the stock market by a direct subsidiary within the meaning and the limits set out by Article 627, indent 1 of the (former) Belgian Companies Code. If the acquisition is made by the Company outside the stock market, even from a subsidiary, the Company shall comply with Article 620, §1, 5° of the (former) Belgian Companies Code.

Further details with respect to the acquisition of own shares can be consulted within chapter 2.1 of this report.

3.10. Material agreements to which Ontex is a party containing change of control provisions

3.10.1. Senior Facilities Agreement

The Company, and certain of its subsidiaries as guarantors, entered into a €470,000,000 senior term and revolving credit facilities agreement dated June 23, 2021 (the "**Senior Facilities Agreement**"), comprising a term loan of €220,000,000 and a revolving credit facility of €250,000,000, having an initial maturity of three years with the option to extend for a period of up to two years subject to certain conditions set out therein. The proceeds were used for the refinancing of existing indebtedness and for general corporate purposes.

The Senior Facilities Agreement contains provisions that may be triggered in the event of a change of control over the Company. More specifically, the Senior Facilities Agreement provides, among others, that any person or group of persons acting in concert acquiring, directly or indirectly, beneficial ownership of the issued capital of the Company having the right to cast more than 50% of the votes capable of being cast at a shareholders' meeting may lead to a mandatory prepayment and cancellation under the Senior Facilities Agreement.

3.10.2. Indenture

The Company, and certain of its subsidiaries as guarantors, entered into an indenture dated July 7, 2021 (the "**Indenture**") pursuant to which the Company issued €580,000,000 3.5000% senior notes due July 15, 2026 (the "**Senior Notes**"). The proceeds have been used for the refinancing of existing indebtedness and for general corporate purposes

The Indenture contains provisions that may be triggered in the event of a change of control over the Company. More specifically, the Indenture provides, among others, that any person or group of persons acting in concert (other than certain exempt persons) acquiring, directly or indirectly, beneficial ownership of more than 50% of the total voting power capable of being cast at a shareholders' meeting may lead to a mandatory offer by the Company to repurchase the Senior Notes at a purchase price equal to 101% of the principal amount of the Senior Notes (together with accrued and unpaid interest).

3.10.3. Factoring Agreement

The Company entered into a factoring agreement dated February 21, 2018, with BNP Paribas Fortis Factor NV and KBC Commercial Finance NV (the "**Factoring Agreement**"). The Factoring Agreement contains provisions that may be triggered in the event of a change of control over the Company. More specifically, the Factoring Agreement provides, among others, that in the event the effective control of any party is transferred to others, the other party has the right to terminate the Factoring Agreement.

3.10.4. Hedging Agreement

The Company entered into an ISDA FX hedging agreement dated March 12, 2018 with Crédit Agricole Corporate and Investment Bank ("**CACIB**") (the "**Hedging Agreement**"). The Hedging Agreement contains provisions that may be triggered in the event of a change of control over the Company. More specifically, the Hedging Agreement, provides, among others, that a change control, defined as any person or group of persons acting in concert acquiring, directly or indirectly, beneficial ownership of the issued share capital of the Company, provides CACIB the right to terminate the Hedging Agreement.

3.10.5. Guarantee Agreement

The Company and its subsidiary Hygiene Medica SAS entered into a guarantee agreement dated November 6, 2018 with Euler Hermes NV (the "**Guarantee agreement**"), with respect to the guarantee issued by Euler Hermes NV to Land Rheinland, Finanzamt Mayen, dated November 13, 2018. The Guarantee Agreement includes provisions that may be trigged in case of a change of control of the Company. More specifically, the Guarantee Agreement provides for acceleration in case the Company has leased a substantial part of her assets to a third party, or the Company merges or decides to merge, splits or decides to split, or is absorbed by a third party.

The change of control provisions in the Senior Facilities Agreement and the Indenture are proposed to be approved by the annual shareholders' meeting that will resolve on the annual accounts for the financial year that ended on December 31, 2021, in accordance with Article 7:151 of the Belgian Code of Companies and Associations. The other change of control provisions that are referred to above have already been approved by the shareholders' meeting in accordance with Article 7:151 of the Belgian Code of Companies and Associations or, earlier, Article 556 of the (former) Belgian Companies Code.

3.11. Severance pay pursuant to termination of contract of Board members executive officers or employees pursuant to a takeover bid

The Company has not concluded any agreement with its Board members, executive officers or employees which would result in the payment of a specific severance pay if, pursuant to a takeover bid, the Board members, executive officers or employees resign, are dismissed or their employment agreements are terminated.

Please refer to the Remuneration Report for further detail on the termination provisions of the members of the Board and the Executive Committee in general.

4. CONFLICTS OF INTERESTS

In accordance with Article 7:96 of the Belgian Code of Companies and Associations, if a Board member has a direct or indirect financial interest that is contrary to the interest of the Company in respect of a decision or transaction which is the responsibility of the Board, he/she must inform the other Board members before any decision by the Board is taken and the statutory auditor must also be notified. The conflicted Board member cannot be present during the deliberations of the Board relating to these transactions or decisions and cannot vote.

In addition to the legal requirements, the Company, as a general matter and as set forth in its Corporate Governance Charter, also expects each Board member to arrange his or her personal and business affairs in such a way as to avoid any (appearance of) conflict of interest of a personal, professional or financial nature with the Company, directly or through relatives (including spouse or life companion, or other relatives (by blood or marriage) up to the second degree and foster children).

No conflicts of interest within the meaning of Article 7.96 of the Belgian Code of Companies and Associations arose in 2021.

5. RELATED PARTY TRANSACTIONS

During 2021, the Company has not entered into transactions with related parties within the meaning of Article 7:97 of the Belgian Code of Companies and Associations.

6. COMPLIANCE WITH THE 2020 CORPORATE GOVERNANCE CODE

The Company is committed to high standards of corporate governance and relies on the 2020 Corporate Governance Code as its reference code. The 2020 Corporate Governance Code is based on a "comply or explain" approach. Belgian listed companies must comply with the 2020 Corporate Governance Code but may deviate from those provisions which are not otherwise contained in the Belgian Code of Companies and Associations, and provided they disclose the justification for any such deviations in their corporate governance statement included in the Annual Report in accordance with Article 3:6, §2, first paragraph, 2° of the Belgian Code of Companies and Associations.

On October 9, 2020, when the Company's Corporate Governance Charter was amended to comply with the requirements of the 2020 Corporate Governance Code, the Board opted to implement a one-tier governance structure. The Company's prior governance structure, consisting of a board of directors and a management committee ("*directiecomité*") within the meaning of article 524*bis* of the (former) Belgian Companies Code, was no longer available under the Belgian Code of Companies and Associations. After careful deliberation, the Board came to the conclusion that a one-tier structure most adequately responds to the principal considerations of (i) preserving the status quo with regard to the allocation of powers between the Board and management and (ii) maintaining its then existing practices of good governance. The Board thus is the highest decision-making body of the Company. It is authorized to perform all acts that are necessary or useful for the realization of the object of the Company, except for those powers that are reserved by law to the shareholders' meeting. The Board decides on the strategy of the Company and takes all important investment and divestment decisions. The Board has delegated the operational management of the Company to the Executive Committee, which will exercise such operational management within the framework of the strategy determined by the Board. While the new governance model is slightly different from a legal perspective, there are little practical implications, as the powers delegated to the Executive Committee will mirror the powers that were previously exercised by the management committee.

The Company complies with all provisions of the 2020 Corporate Governance Code, except in respect of the following:

- Provision 4.2 of the 2020 Corporate Governance Code provides that strategy formulation should not be referred to any permanent committee. In October 2020 the Board created the Strategy Committee in light of the strategic challenges and need for a strategic review of the Company's business and operations. The Strategy Committee, which is advisory committee, aims to enhance and expedite the Board's strategic decision-making, and to support Management's reshaping of the Company's strategic agenda and to exercise support and oversight in relation to the implementation thereof. Continued care and attention is given to ensure that the Board remains fully in charge of all strategic decisions to be taken by the Company.

- Provision 7.6 of the 2020 Corporate Governance Code provides that non-executive board members should receive part of their remuneration in the form of shares in the Company. After due consideration, it has been decided that the remuneration of the Non-Executive Directors will continue to be paid fully in cash, because of the complex tax and social security consequences of paying part of the remuneration in shares, both for the beneficiaries and for the Company. We are, however, of the opinion that share ownership by Non-Executive Directors can have a positive impact on their commitment and engagement. Therefore, the Company has issued a recommendation to Non-Executive Directors to build, over their four-year tenure, an Ontex equity stake equivalent to one time the Non-Executive Director's fixed fee, and to keep this equity stake during at least one year following the end of their Board mandate.
- Provision 7.9 of the 2020 Corporate Governance Code provides that the Board should set a minimum threshold of shares to be held by the executives. The CEO is requested to build a shareholding of two times the annual salary, while other members of the Executive Committee are required to hold one time their annual salary in shares. Such shareholding must be gradually built up by holding on to at least 50% of the long-term incentive instruments when they vest, until the aforementioned shareholding is reached.

7. EVENTS AFTER THE END OF THE REPORTING PERIOD

The relevant events after the end of the reporting period can be found in note 7.32 of the consolidated financial statements.

8. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

8.1. Introduction

The Ontex Group operates a risk management and control framework in accordance with the Belgian Companies Code and the Corporate Governance Code.

The Ontex Group is exposed to a wide variety of risks within the context of its business operations that can result in its objectives being affected or not achieved. Controlling those risks is a core task of the Board (including the Audit and Risk Committee), the Management Committee and all other employees with managerial responsibilities.

The risk management and control system has been set up to reach the following goals:

- Achievement of the Ontex Group objectives;
- Achieving operational excellence;
- Ensuring correct and timely financial reporting; and
- Compliance with all applicable laws and regulations.

8.2. Control Environment

8.2.1. Three lines of defense

The Ontex Group applies the “three lines of defense model” to clarify roles, responsibilities and accountabilities, and to enhance communication within the area of risk and control. Within this model, the lines of defense to respond to risks are:

- First line of defense: line management is the first responsible for assessing risks on a day-to-day basis and implementing controls in response of these risks.
- Second line of defense: the oversight functions like Finance and Controlling, Quality, Compliance, Tax and Legal oversee and challenge risk management as executed by the first line of defense. The second line of defense actors provide guidance and direction and develop a risk management framework.
- Third line of defense: independent assurance providers like internal audit and external audit challenge the risk management processes as executed by the first and second line of defense.

8.2.2. Policies, procedures and processes

The Ontex Group fosters an environment in which its business objectives and strategy are pursued in a controlled manner. This environment is created through the implementation of different company-wide policies, procedures and processes such as the Ontex values, the Ontex Code of Ethics (and its related policies such as the anti-bribery, anti-money laundering and fair competition policies), the Quality Management System and the Delegation of Authorities ruleset. The Management Committee fully endorses these initiatives. The employees are regularly informed and trained on these subjects in order to develop sufficient risk management and control at all levels and in all areas of the organization.

8.2.3. Group-wide ERP system

The main portion of the Group entities operate the same group-wide ERP systems which are managed centrally. These systems embed the roles and responsibilities defined at the Ontex Group level. Through these systems, the main flows are standardized and key controls are enforced. The systems also allow detailed monitoring of activities and direct access to data.

8.3. Risk management

Sound risk management starts with identifying and assessing the risks associated with the Company’s business and external factors. Once the relevant risks are identified, the Company strives to prudently manage and minimize such risks, acknowledging that certain calculated risks are necessary to ensure that the Ontex Group achieves its objectives and continues to create value for its stakeholders.

All employees of the Ontex Group are accountable for the timely identification and qualitative assessment of the risks within their area of responsibility.

The Ontex Group has identified and analyzed its key corporate risks. These corporate risks are communicated to the various levels of management.

8.4. Control activities

Control measures are in place to minimize the effect of risk on Ontex Group’s ability to achieve its objectives. These control activities are embedded in the Ontex Group’s key processes and systems to assure that the risk responses and the Ontex Group’s overall objectives are carried out as designed. Control activities are conducted throughout the organization, at all levels and within all departments.

Key compliance areas are monitored for the entire Ontex Group by the Head of Compliance (at group level) and by Local Compliance Coordinators (at local level). The Compliance function supports the compliance with the Ontex Code of Ethics and the adoption of clear processes and procedures with respect to the Code. The Compliance long term strategy and yearly objectives are approved by the Executive Management Committee (EMC) and by the Audit & Risk Committee (ARC) and a reporting takes place twice a year towards the EMC and the ARC. The Head of Compliance and Internal Audit Manager meet regularly to discuss increasing risks based on incidents to the Code of Ethics and new legislative framework. More information about Ontex's approach, strategy and progress towards business ethics and compliance can be found on pages 29-31 of this report.

In addition to these control activities, an insurance program is being implemented for selected risk categories that cannot be absorbed without material effect on the Company's balance sheet.

8.5. Information and communication

The Ontex Group recognizes the importance of timely, complete and accurate communication and information both top-down as well as bottom-up. The Ontex Group therefore put several measures in place to assure amongst others:

- Security of confidential information;
- Clear communication about roles and responsibilities; and
- Timely communication to all stakeholders about external and internal changes impacting their areas of responsibility.

8.6. Monitoring of control mechanisms

Monitoring helps to ensure that internal control systems operate effectively.

The quality of the Ontex Group's risk management and control framework is assessed by the following actors:

- Internal Audit. The tasks and responsibilities assigned to Internal Audit are defined in the Internal Audit Charter, which has been approved by the Audit and Risk Committee. The key mission of Internal Audit as defined in the Internal Audit Charter is "to add value to the organization by applying a systematic, disciplined approach to evaluating the internal control system and providing recommendations to improve it".
- External Audit. In the context of its review of the annual accounts, the statutory auditor focusses on the design and effectiveness of internal controls and systems relevant for the preparation of the financial statements. The outcome of the audits, including work on internal controls, is reported to management and the Audit and Risk Committee and shared with Internal Audit.
- Audit and Risk Committee. The Board and the Audit and Risk Committee have the ultimate responsibility with respect to internal control and risk management. For more detailed information on the composition and functioning of the Audit and Risk Committee, see chapter 1.5. of this Corporate Governance Statement.

8.7. Risk management and internal control with regard to the process of financial reporting

The accurate and consistent application of accounting rules throughout the Ontex Group is assured by means of a Finance and Accounting Manual.

On a quarterly basis, a bottom-up risk analysis is conducted to identify risk factors. Action plans are defined for all key risks. Specific identification procedures for financial risks are in place to assure the completeness of financial accruals.

The accounting teams are responsible for producing the accounting figures, whereas the controlling teams check the validity of these figures. These checks include coherence tests by comparison with historical and budget figures, as well as sample checks of transactions according to their materiality.

Specific internal control activities with respect to financial reporting are in place, including the use of a periodic closing and reporting checklist. This checklist assures clear communication of timelines, completeness of tasks, and clear assignment of responsibilities.

Uniform reporting of financial information throughout the Ontex Group ensures a consistent flow of information, which allows the detection of potential anomalies. The Group's ERP systems and management information tools allow the central controlling team direct access to disaggregated financial and non-financial information.

An external financial calendar is planned in consultation with the Board and the Management Committee, and this calendar is announced to the external stakeholders. The objective of this external financial reporting is to provide Ontex stakeholders with the information necessary for making sound business decisions. The financial calendar can be consulted on https://www.ontex.com

The table below sets out our principal risks and examples of relevant controls and mitigating factors.

The Board considers these to be the most significant risks faced by the Group that may impact the achievement of our strategic drivers as set out on page 11. They do not comprise all risks associated with our business and are not set out in priority order.

Risk	Description Risk	Main Potential Impact
Infectious diseases of epidemic and pandemic potential	As Ontex is operating around the globe, a global epidemic or pandemic outbreak may affect our business contingency.	Global epidemic or pandemic outbreaks may have an impact on raw material availability & unavailability of employees and could disrupt the supply chain as such. This could negatively impact our service level.
Competitive Environment	All Divisions face competition from branded product manufacturers and retailer brand manufacturers. We also face competition from competing manufacturers in production innovation. Rapid time-to-market is key to our competitiveness.	The fact that we would fail to deliver our value proposition and/or to adapt to the customer's needs could affect our performance, and could entail price and volume pressure, loss of market share or margin erosion.
Reputation and Stakeholder Management	As a public company, Ontex has stakeholders with various needs, and Ontex is subject to high transparency standard and periodic reporting obligations. Ontex may be subject to adverse publicity.	Such adverse publicity may adversely impact our reputation, and indirectly our business and financial condition.
Product Quality and Safety	Our reputation as a business partner relies heavily on our ability to supply quality products.	In case of quality issues, this may lead to adverse effects to consumer health, loss of market share, financial costs and loss of turnover as well as putting the Company reputation at stake.
Intellectual Property	Although we are monitoring changes in intellectual property rights, we may inadvertently infringe intellectual property rights owned by others. Secondly, the Company may fail to register intellectual property rights in a timely manner.	As a potential consequence thereof, the Company may face legal claims or have to pay royalties which erode our profit margins. Failing to register or defend IP could erode the Company profit margins as well.
Manufacturing and Logistics	Our ability to serve our customers depends on the operation of our 20 manufacturing sites. We may experience disruptions at our production facilities or in extreme cases, our production facilities may shut down.	Such temporary shortfalls in production could affect our on-time delivery record, which could in turn adversely affect our ability to acquire new customers and retain existing customers.
Sourcing and Supply Chain	We are dependent upon the availability of raw materials for the manufacturing of our products. On average the main raw materials and packaging costs account for between 75% and 80% of our cost of sales. Our raw materials are subject to price volatility due to a number of factors that are beyond our control, including but not limited to, the availability of supply, general economic conditions, commodity price fluctuations and market demand.	The price volatility of the underlying commodities can affect the cost and availability of our products. We may not always succeed in passing on these costs to the customer/consumer through pricing.
Acquisitions	From time to time, we evaluate possible acquisitions that would complement our existing operations and enable us to grow our business. The success of any acquisition depends on our ability to integrate acquired businesses effectively. The integration of acquired businesses may be complex and expensive and may present a number of risks and challenges. Furthermore, there can be no assurance that we will realize any or all of the anticipated benefits of any future acquisitions, including the expected business growth opportunities, revenue benefits, cost synergies and other operational efficiencies.	In case we would not be able to realise the objectives of the acquisition, the integration may lead to additional unforeseen difficulties or liabilities, failure to deliver on financial goals and internal disruption.

Risk	Description Risk	Main Potential Impact
Information Technology, Data Security and Cyber Attack	We are increasingly reliant on IT systems and information management to run our business. There is a risk of disruption of our IT systems and that sensitive data may be compromised by malicious cyber-attack or technology failure.	A disruption of our IT systems could affect our sales, production and cash flows, ultimately impacting our results. Unauthorized access and misuse of sensitive information could interrupt our business and/or lead to loss of assets. It could also lead to negative reputational impact.
Legal and Regulatory	Ontex is subject to applicable laws and regulations in the global jurisdictions in which it operates.	Failure to comply with laws and regulations could expose us to civil and/or criminal actions, and changes to laws and regulations could have an impact on the cost of doing business.
Economical and Political Instability	Ontex operates around the globe, and as a result is subject to risks associated with operating internationally. Recent and ongoing instability in some of the countries in which we operate may adversely affect our business.	Any such conditions or instability could impact our operations and result in additional expenditure and other commercial and financial impacts incurred in order to comply or adapt to such conditions and consequently have a material adverse effect on our business.
Recruitment and Retention	A skilled workforce and agile organization are essential for the continued success of our business. Failure to identify, attract, develop and retain talents to satisfy current and future needs of the business may affect our ability to compete.	In case of failure to recruit and retain adequately, this may result in a decline in business performance.
Financial	As detailed in section 7.5 of the financial statements, the Group's activities expose it to a variety of financial risks including currency risk, interest rate risk and liquidity risk as well as counterparty default.	These risks may have a material adverse effect on our business, financial condition and results of operations.
Occupational Health and Safety	As Ontex is operating around the globe, it may fail to provide for the personal safety of employees in production and other facilities and during travel to high-risk locations.	This may lead to reputational damage and difficulties in hiring people.
Climate and Environment	Ontex risks not to be able to respond timely to the climate and environmental expectations and requirements from consumers, governments and other stakeholders. Ontex requires certain sensitive raw materials such as paper pulp and plastics to manufacture its products and Ontex produces disposable finished products.	Ontex risks losing market share if stakeholder expectations cannot be met at a competitive price. New regulations might increase the cost of doing business.

9. REMUNERATION REPORT

9.1 2021 Context, Performance Highlights and Remuneration Outcomes

Financial year 2021 was the first year during which we applied the new remuneration policy, as developed by our Board and approved overwhelmingly at the May 2021 annual shareholders' meeting. This new remuneration policy was designed to connect management incentives to an appropriate and demanding mix of financial and quantifiable non-financial KPIs, including company-specific ESG indicators, in line with shareholder and wider stakeholder interests. Further, the policy was designed to increase the alignment of management incentives with reported financial results and to make the long-term incentive plan fully performance-based. The Company has also committed to increasing transparency on rewards, and the overall alignment between Company performance and management incentives.

2021 has been a year in which we have put in place the important building blocks that are necessary to turn around the Group's operating and financial performance. We have a new strategy with clear growth drivers, a new management team, and major actions planned to improve our operations with ambitious cost reduction targets. With the unprecedented rise in input costs, we are working closely with our customers to implement price increases and drive mix. The amount of structural cost savings being delivered is very promising and underwrites our potential margin improvement once the raw material crisis is behind us. In line with our strategic choices, we are pursuing divestment opportunities for the Emerging Markets activities.

Although we have seen early signs of recovery in the second half of the year, our full year 2021 financial results were below plan. Reported revenue was €2,026.4 million. On a like-for-like basis, 2021 revenue was €2,056 million versus a €2,132 million plan target. Volumes were down by 1.4%, with improving performance in the second half, despite the impact of supply chain disruptions. These were particularly felt in the feminine care category, as well as some lifestyle brands where specialized raw materials were unavailable. Prices remained stable overall with a year-on-year increase in the second half of the year offsetting the decrease in the first half.

Adjusted EBITDA was €172.2 million versus a plan target of €255 million. Adjusted EBITDA was hit by an unprecedented inflation impact of €(106) million net for the year, of which €(86) million from raw materials and €(19) million from other operating costs. Oil-based ingredients such as SAP, non-woven materials and polyethylene back-sheets were the main drivers behind the raw materials price increase. Higher energy prices and transport costs significantly increased other operating expenses. These cost increases could only be partially offset by a €75 million cost saving. Restructuring of Ontex's SG&A, reducing management layers and gaining efficiencies led to €17 million net savings. Footprint optimization and productivity gains across the entire supply chain generated €58 million savings. These are recurrent in nature and form the basis for continued efforts, allowing Ontex to become leaner, more agile and more competitive in the market.

Free cash flow stood at €52.9 million versus a target of €100 million and down €6.6 million compared to financial year 2020. The decrease essentially reflects solid working capital and capex discipline offsetting most of the €63 million lower adjusted EBITDA. Capex, lease payments and smaller assets disposals were €(77.4) million combined, €53.7 million lower than financial year 2020. The cash impact of non-recurring costs, excluding the €80 million upside from the arbitration settlement in Brazil, was €(35) million, €10 million less than in financial year 2020. Cash taxes represented €(20.6) million, €12.7 million less than in financial year 2020.

The lower than expected financial performance, both compared to financial year 2020 and to the 2021 plan, results in bonus pay-outs which are significantly lower than target: 46% of target for the CEO, and an average of 45% of target for the other members of the Executive Committee. The details of the bonus calculation can be found in the section on the 2021 remuneration of the members of the Executive Committee (see further). A significant portion of the total remuneration paid to the members of the Executive Committee comprised termination payments to Executive Committee members who have left the company in the course of 2021. With the exception of the EVP R&D and Sustainability, all of the current Executive Committee members have joined the Company or have been promoted to the Executive Committee in the course of 2021.

As part of the implementation of the new remuneration policy, the 2021 long-term incentive award no longer consisted of stock options and restricted stock units, but solely of performance shares with a 3-year performance-based vesting. The impact on the long-term incentives will become visible for the first time at vesting of the performance shares in 2024. The long-term incentives that vested in 2021, as described further, still represent the stock options and restricted stock units that were granted in 2018, under the previous remuneration policy.

9.2 2021 Remuneration of the Directors

All members of the Board are Non-Executive Directors. During financial year 2021, each Director received (i) an annual fixed fee as well as (ii) attendance fees which are a function of the number of Board and committee meetings attended by such Director. Directors did not receive any variable compensation, fringe benefits or pension contribution payments.

The composition of the Board underwent significant changes during 2021, as follows. On 29 March 2021, Desarrollo Empresarial Joven Sustentable SC, with Juan Gilberto Marin Quintero as its permanent representative, resigned as director of the Company. At the 2021 annual shareholders' meeting, six new directors were appointed, *i.e.*, Isabel Hochgesand and Manon Janssen as independent directors, and Gustavo Calvo Paz, Philippe Costeletos, Jesper Hojer and Rodney Olsen as non-executive directors. On the same date, Manon Janssen and Jasper Hojer resigned from the Board, and the Board decided to co-opt, respectively, MJA Consulting BV, with Manon Janssen as permanent representative, and JH GmbH, with Jesper Hojer as permanent representative. Further, on 28 July 2021, Aldo Cardoso resigned from the Board, and on the same date the Board decided to co-opt Alane SRL, with Aldo Cardoso as permanent representative.

The amounts paid to Directors during financial year 2021 are shown in the table below.

Name	Mandate	Fixed fee (EUR)	# Board meetings attended	Board attendance fee (EUR)	# N&R Committee meetings attended	N&R Committee attendance fee (EUR)	# A&R Committee meetings attended	A&R Committee attendance fee (EUR)	# Strategy Committee meetings attended	Strategy Committee attendance fee (EUR)	Total fee for 2021 (EUR) [1]
ViaBylity BV, represented by Hans Van Bylen	Chairman of the Board of Directors Independent Director Chairman of the Nomination and Remuneration Committee and of the Strategy Committee	140 000	15/15	5 000	7/7	4 000	6/7	2 500	11/11	4 000	304 500 [2]
Regina SARL, represented by Regi Aalstad	Independent Director	60 000	15/15	2 500	6/7	2 500			11/11	2 500	135 000
Inge Boets BV, represented by Inge Boets	Independent Director Chairwoman of the Audit and Risk Committee	70 000	15/15	2 500			7/7	4 000			130 500
Desarrollo Empresarial Joven Sustentable SC, represented by Juan Gilberto Marin Quintero (until 29/03/2021)	Non-Executive Director	15 000	3/3	2 500							20 000
Michael Bredael	Non-Executive Director	60 000	15/15	2 500			7/7	2 500	10/11	2 500	135 000
Gustavo Calvo Paz (as from 25/05/2021)	Non-Executive Director	35 000	9/9	2 500					6/6	2 500	70 000
Alane SRL, represented by Aldo Cardoso [3]	Non-Executive Director	60 000	15/15	2 500	7/7	2 500					110 000
Philippe Costeletos (as from 25/05/2021)	Non-Executive Director	35 000	9/9	2 500	1/1	2 500			2/2 [4]	2 500	62 500
Isabel Hochgesand (as from 25/05/2021)	Independent Director	35 000	8/9	2 500	1/1	2 500					55 000
JH GmbH, represented by Jesper Hojer (as from 25/05/2021)	Non-Executive Director	35 000	9/9	2 500					6/6	2 500	70 000
MJA Consulting BV, represented by Manon Janssen (as from 25/05/2021)	Independent Director	35 000	9/9	2 500	1/1	2 500					57 500
Frédéric Larmuseau	Independent Director	60 000	14/15	2 500					10/11	2 500	115 000
Rodney Olsen (as from 25/05/2021)	Non-Executive Director	35 000	9/9	2 500			4/4	2 500	6/6	2 500	80 000
Total fee for 2021 (in EUR)		675 000									1 345 000

(1) For certain directors, the total fee for 2021 is lower than the sum of the fixed fee and attendance fees. The reason is that no attendance fee was paid for the additional *ad hoc* Board meetings that took place on 15 March 2021 and 30 August 2021.

(2) The total fee for 2021 includes an amount of EUR 12 500 that was paid to ViaBylity BV, represented by Hans Van Bylen, at the beginning of financial year 2021 as a correction for certain meetings that he attended during financial year 2020 and was not correctly compensated for.

(3) Until 21 July 2021, Aldo Cardoso was member of the Board in his own name. On 21 July 2021, Aldo Cardoso resigned from the Board and, on the same date, the Board decided to co-opt Alane SRL, with Aldo Cardoso as permanent representative.

(4) Mr Costeletos attended two Strategy Committee meetings, for which he was remunerated.

9.3 2021 Remuneration of the Members of the Executive Committee

9.3.1. Introduction

The composition of the Executive Committee underwent significant changes during 2021. Esther Berrozpe was appointed as CEO with effect from 1 January 2021. The former interim CEO, Thierry Navarre, left the Company at the end of a 3 month hand-over period, on 31 March 2021. His remuneration has been included in this remuneration report up to that date.

Ontex also attracted a new CFO and a new Chief Supply Chain Officer and appointed a new President of the Europe Division, which is now combined with the former Healthcare Division. Their remuneration is included from the time they were appointed to their respective positions. The remuneration of the previous incumbents, including severance payments where applicable, is also included in the report, up to the time they have left the company.

9.3.2. Total Remuneration Summary

The 2021 total remuneration paid to the CEO and the other members of the Executive Committee is summarized in the table below.

Members of the Executive Commitee		Fixed remuneration (EUR)		Variable remuneration (EUR)		Extra-ordinary items (EUR)	Pension expense (EUR)	Total remuneration (EUR)
		Base salary	Other benefits	One-year variable	Multi-year variable			
Esther Berrozpe	**CEO**	900 000	94 121	414 000	0	0	180 000	1 588 121
Other Members of the Executive Committee		3 650 825	304 650	985 023	551 198	503 014	636 336	6 635 885

The relative share of the different remuneration components in the total remuneration is shown below.

	CEO	Other members of the Exec. Committee
Fixed remuneration as % of total remuneration	74%	69%
Variable remuneration as % of total remuneration	26%	23%
Extraordinary remuneration as % of total remuneration	0%	8%

Fixed Remuneration

A. Base Remuneration

The base remuneration of the CEO and the other members of the Executive Committee who joined the Company in the course of 2021 is aligned with a benchmark representing the median compensation for a European peer group of personal and household goods companies. The base remuneration of the members of the Executive Committee members who exercised their respective positions throughout the year remained unchanged, in line with the remuneration policy to keep fixed remuneration fixed for 3 years.

B. Other Benefits

Other benefits include the cost of medical, life and disability insurances, company cars and school fees.

Variable Remuneration

A. One-year Variable

The 2021 bonus for the CEO and the other members of the Executive Committee has been determined on the basis of a set of financial and non-financial KPIs.

As set forth in the remuneration policy, the threshold performance is set at 75% of target for the financial KPIs, with up to 100% of the target bonus earned in case of on-target performance and a maximum of 200% of the target bonus payable for a performance reaching 125% of target or more.

CEO bonus

The target bonus for the CEO amounts to 100% of the annual base pay.

The 2021 bonus paid to the CEO has been determined on the basis of the following KPIs:

- Group Like-for-like Revenue - weight 25%
- Group Adjusted EBITDA – weight 25%
- Group Free Cash Flow – weight 25%
- Non-financial KPIs – weight 25%

The 2021 non-financial KPIs for the CEO included redefining the global strategy, aspirations and goals, designing and implementing a winning organization, and engaging with Board, shareholders, press and financial markets.

The targets, achievements and pay-out factors for the CEO's performance bonus for 2021 are shown in the table below.

CEO Bonus 2021 KPIs & Achievements (MEUR)	Target	Actuals	Achievement Level	Pay-out Factor	Weight	Weighted Pay-out Factor
Revenue (like-for-like)	2 132	2 056	96%	84%	25%	21%
Adjusted EBITDA	255	172,2	68%	0%	25%	0%
Free Cash Flow	100	53	54%	0%	25%	0%
Non-Financial KPIs	See above		100%	100%	25%	25%
Total Pay-out						46%

The 2021 bonus paid to the CEO amounted to 414,000 EUR and has been calculated as per the table below:

Annual Base (EUR)	Target Bonus (EUR)	Pay-out Factor	Bonus for 2021 (EUR)
900 000	900 000	46%	414 000

Bonus for the other members of the Executive Committee

The 2021 bonus for the members of the Executive Committee with a Group-wide responsibility (CFO, Chief Supply Officer, EVP R&D and Sustainability, EVP HR and EVP Legal & Secretary General) has been determined on the basis of the same set of financial KPIs and weights as for the CEO. The 2021 non-financial KPIs for these members of the Executive Committee were function-specific.

The 2021 bonus for the Divisional Presidents was based on the following KPIs:

- Group Financial KPIs – same as other members of the Executive Committee – weight 37.5%
- Division Financial KPIs – Like-for-like Revenue, EBIT, DSO – weight 37.5%
- Function-specific non-financial KPIs – weight 25%

The achievements against the 2021 Division Financial KPI targets and corresponding pay-out factors are shown in the table below.

2021 Divisional Financial Bonus KPIs Achievements and pay-outs	Division Europe (*)		Division AMEAA	
	Achievement	Pay-out	Achievement	Pay-out
Revenue (like-for-like)	96%	82%	95%	80%
EBIT	84%	34%	10%	0%
DSO	103%	112%	97%	88%
Weighted Aggregate Pay-out Factor	76%		56%	

(*) Division Europe results represent the financial performance of the Europe Division, excluding Healthcare, for the first 6 months of financial year 2021, and the combined results for Europe and Healthcare combined for the second half of financial year 2021.

The total aggregate bonus amount paid to the other members of the Executive Committee for 2021 amounts to 985,023 EUR.

The bonus for the CEO and the other members of the Executive Committee is subject to a 3-year claw-back in case the Company's financial results would have to be materially restated as a result of fraud, willful misconduct or gross negligence.

B. Multi-year Variable

Long-term Incentive vesting in 2021

The table below shows the restricted stock units and the stock options which ware granted in 2018 and which vested in 2021. The value of the restricted stock units is calculated on the basis of the closing share price of the Ontex share on the trading day preceding the vesting. The value of the stock options is calculated on the basis of the closing share price of the Ontex share on the trading day preceding the vesting and the strike price, if positive. As indicated in the table below, all the vested options remain under their strike price.

Name & Function	Grant Date	Vesting Date	Share Price at vest (EUR)	Restricted Stock Units		Stock Options	
				Number vested	Value at vest (EUR)	Number vested	Value at vest (EUR)
Amselem, Armando *(Former) President AMEAA*	29-May-18	30-May-21	10.92	4 607	50 308	23 193	-
De Lathauwer, Astrid *(Former) EVP HR*	29-May-18	30-May-21	10.92	3 862	42 173	19 441	-
De Poorter, Annick *EVP R&D and Sustainability*	29-May-18	30-May-21	10.92	3 562	38 897	17 931	-
Deroo, Jonas *EVP Legal & Sec. Gen.*	29-May-18	30-May-21	10.92	671	7 327	3 376	-
Desmartis, Charles *(Former) Chief Finance Officer*	29-May-18	30-Mar-21	8.98	27 773	249 402	64 327	-
Lambrecht, Xavier *(Former) President Healthcare*	29-May-18	30-May-21	10.92	3 901	42 599	19 638	-
Navarre, Thierry *(Former) Chief Transformation Officer*	29-May-18	30-May-21	10.92	7 218	78 821	36 338	-
Nielly, Laurent *President Europe*	29-May-18	30-May-21	10.92	3 816	41 671	19 212	-

Extra-Ordinary Items

The amount reported under extra-ordinary items represent the termination and non-compete indemnities which have been paid to departing members of the Executive Committee.

The former President of the Healthcare division received a termination indemnity of 261,185 EUR, including an indemnity covering an 18 month non-compete. The former EVP Operations received a termination indemnity of 241,829 EUR, including an indemnity covering an 18 month non-compete. These termination indemnities reflect the contractual exit provisions agreed with the relevant executives. They were paid in addition to the bonus payments to which these individuals were entitled for financial year 2021, as summarized in section 9.3.2. Total Remuneration Summary.

Pension Expenses

The pension expenses include the 2021 contributions paid by the Company to a defined contribution pension plan for a total amount of 816,336 EUR. More details on the pension expenses to the CEO and the other members of the Executive Committee are summarized in section 9.3.2 Total Remuneration Summary.

9.3.3. Share-based Remuneration

2021 LTIP grant

The CEO and members of the Executive Committee also received an LTIP grant in 2021. This 2021 LTIP grant, which took place on 27 May 2021, consisted solely of performance shares.

The KPIs for the 2021 performance shares, which are subject to a 3-year vesting, are shown in the table below.

KPI	Weight
Adjusted Basic EPS	50%
Relative Total Shareholder Return (“TSR”)	30%
CO2 Emissions	10%
Labor Accident Frequency	10%

Relative TSR will be measured against the STOXX Europe 600 Personal and Household Goods Index. The vesting schedule for this KPI is shown below.

Performance	Vesting
80% of index return (threshold)	50%
100% of index return	100%
120% of index return (cap)	200%

The Company has set the ambition to become CO2 neutral for scope 1 and scope 2 emissions by 2030. The CO2 emission reduction target for the 2021 performance shares reflects the reduction needed over the 2021-2023 vesting period to achieve that ambition. The measurement for this KPI is tons CO2 per 100 million produced pieces.

The Company has also set a zero labor accident ambition by 2030. The accident reduction target for the 2021 performance share reflects the reduction of accidents needed over the 2021-2023 vesting period to achieve that ambition. The measurement for this KPI is the number of labor accidents times 1 million divided by the total hours worked.

The targets and vesting scheme for the CO2 emission and accident KPIs are shown below

KPI	Threshold (vesting starts)	Target (100% vesting)	Cap (200% vesting)
CO2 Emissions	210	192	172
Labor Accident Frequency	4.73	3.73	2.73

As the Adjusted Basic EPS target for the 2021 performance shares is commercially sensitive, the target and achievement against this target will be disclosed ex post.

The tables below provide the details of the 2021 LTIP grant for the CEO and the other members of the Executive Committee.

Performance shares awarded during the reported financial year

Management Committee Member	Position	Number of PSUs awarded and accepted	Award date	Vesting date	Share value at the time of the grant
Amselem, Armando	President AMEAA division	20 814	27/05/2021	27/05/2024	€10.89
Berrozpe, Esther	CEO	94 954	27/05/2021	27/05/2024	€10.89
Crepy, Vincent	Chief Supply Officer	22 202	27/05/2021	27/05/2024	€10.89
De Lathauwer, Astrid	Executive VP Human Resources	19 328	27/05/2021	27/05/2024	€10.89
De Poorter, Annick	Executive VP R&D & Sustainability	21 293	27/05/2021	27/05/2024	€10.89
Deroo, Jonas	EVP Legal & Secr. Gen.	15 138	27/05/2021	27/05/2024	€10.89
Nielly, Laurent	President Europe	22 353	27/05/2021	27/05/2024	€10.89
Vanneste, Peter	CFO	78 670	27/05/2021	27/05/2024	€10.89

Overview of share-based remuneration for the CEO and other members of the Executive Committee

The tables below set out the opening and closing balances, as well as movements during the year 2021, in share-based remuneration for the CEO and the other members (or former members) of the Executive Committee.

Since 2021, members of the Executive Committee are required to keep 50% of LTIP shares vesting until they have acquired a shareholding representing 2 times (CEO) or 1 time (other members of the Executive Committee) their annual base salary. Furthermore, once this amount is reached, members of the Executive Committee will be required to maintain such shareholding throughout their executive tenure.

	Main Conditions of the Stock Option Plan					Information for the reported financial year											
						Opening Balance		During the Year								Closing Balance	
Beneficiary	Plan Type	Grant Date	Vesting Date	Exercise period	Strike Price (EUR)	Vested	Unvested	Number awarded	Value awarded (EUR)	Number vested	Value vested (EUR)	Number exercised	Value Exercised (EUR)	Number Forfeited	Value Forfeited (EUR)	Vested	Unvested
Amselem, Armando	SOP 2016	12-may-16	13-may-19	8 years	28.44	15 106	0									15 106	0
	SOP 2017	11-may-17	12-may-20	8 years	33.11	14 882	0									14 882	0
	SOP 2018	29-may-18	30-may-21	8 years	23.56	0	23 193			23 193						23 193	0
	SOP 2019	13-jun-19	14-jun-22	8 years	14	0	15 508									0	15 508
	SOP 2020	28-may-20	29-may-23	8 years	13.9	0	32 215									0	32 215
De Lathauwer, Astrid	SOP 2016	12-may-16	13-may-19	8 years	28.44	11 666	0									11 666	0
	SOP 2017	11-may-17	12-may-20	8 years	33.11	10 559	0									10 559	0
	SOP 2018	29-may-18	30-may-21	8 years	23.56	0	19 441			19 441						19 441	0
	SOP 2019	13-jun-19	14-jun-22	8 years	14	0	16 722									0	16 722
	SOP 2020	28-may-20	29-may-23	8 years	13.9	0	22 436									0	22 436
De Poorter, Annick	SOP 2016	12-may-16	13-may-19	8 years	28.44	8 522	0									8 522	0
	SOP 2017	11-may-17	12-may-20	8 years	33.11	9 316	0									9 316	0
	SOP 2018	29-may-18	30-may-21	8 years	23.56	0	17 931			17 931						17 931	0
	SOP 2019	13-jun-19	14-jun-22	8 years	14	0	16 125									0	16 125
	SOP 2020	28-may-20	29-may-23	8 years	13.9	0	24 717									0	24 717
Deroo, Jonas	SOP 2016	12-may-16	13-may-19	8 years	28.44	2 204	0									2 204	0
	SOP 2017	11-may-17	12-may-20	8 years	33.11	1 995	0									1 995	0
	SOP 2018	29-may-18	30-may-21	8 years	23.56	0	3 376			3 376						3 376	0
Desmartis, Charles	SOP 2019	13-jun-19	14-jun-22	8 years	14	0	64 327			64 327						64 327	0
	SOP 2020	28-may-20	29-may-23	8 years	13.9	0	0									0	0
Lambrecht, Xavier	SOP 2016	12-may-16	13-may-19	8 years	28.44	10 813	0									10 813	0
	SOP 2017	11-may-17	12-may-20	8 years	33.11	11 779	0									11 779	0
	SOP 2018	29-may-18	30-may-21	8 years	23.56	0	19 638			19 638						19 638	0
	SOP 2019	13-jun-19	14-jun-22	8 years	14	0	0									0	0
	SOP 2020	28-may-20	29-may-23	8 years	13.9	0	0									0	0
Löbel, Axel	SOP 2019	13-jun-19	14-jun-22	8 years	14	0	12 636							3 510	33 134	0	9 126
	SOP 2020	28-may-20	29-may-23	8 years	13.9	0	18 886							11 017	104 000	0	7 869
Navarre, Thierry	SOP 2016	12-may-16	13-may-19	8 years	28.44	19 886										19 886	0
	SOP 2017	11-may-17	12-may-20	8 years	33.11	20 979										20 979	0
	SOP 2018	29-may-18	30-may-21	8 years	23.56	0	38 475			36 338				2 137	19 190	36 338	0
	SOP 2019	13-jun-19	14-jun-22	8 years	14	0	32 164							12 955	116 336	0	19 209
	SOP 2020	28-may-20	29-may-23	8 years	13.9	0	0									0	0
Nielly, Laurent	SOP 2017	11-may-17	12-may-20	8 years	33.11	13 734	0									13 734	0
	SOP 2018	29-may-18	30-may-21	8 years	23.56	0	19 212			19 212						19 212	0
	SOP 2019	13-jun-19	14-jun-22	8 years	14	0	18 878									0	18 878
	SOP 2020	28-may-20	29-may-23	8 years	13.9	0	19 031									0	19 031

Value awarded is obtained by multiplying the number of options awarded by the value of the option at grant.
Value vested is obtained by multiplying the number of options vested by the difference between the exercise price and the share price at vesting, if positive.
Value exercised is obtained by multiplying the number of options exercised by the difference between the exercise price and the share price at exercise, if positive.
Value forfeited is obtained by multiplying the number of options forfeited by the difference between the exercise price and the share price at the time of forfeiture, if positive.

	Main RSU Conditions			Information for the reported financial year						
				Opening Balance	During the Year					Closing Balance
Beneficiary	Plan Type	Grant Date	Vesting Date	Unvested	Number awarded	Value awarded (EUR)	Number vested	Value vested (EUR)	Number Forfeited	Value Forfeited (EUR)	Unvested
Amselem, Armando	RSU 2018	29-may-18	30-may-21	4 607			4 607	50 308			0
	RSU 2019	13-jun-19	14-jun-22	4 420							4 420
	RSU 2020	28-may-20	29-may-23	7 254							7 254
De Lathauwer, Astrid	RSU 2018	29-may-18	30-may-21	3 862			3 862	42 173			0
	RSU 2019	13-jun-19	14-jun-22	4 766							4 766
	RSU 2020	28-may-20	29-may-23	5 052							5 052
De Poorter, Annick	RSU 2018	29-may-18	30-may-21	3 562			3 562	38 897			0
	RSU 2019	13-jun-19	14-jun-22	4 595							4 595
	RSU 2020	28-may-20	29-may-23	5 566							5 566
Deroo, Jonas	RSU 2018	29-may-18	30-may-21	671			671	7 327			0
	RSU 2019	13-jun-19	14-jun-22	752							752
	RSU 2020	28-may-20	29-may-23	799							799
Desmartis, Charles	RSU 2019	13-jun-19	14-jun-22	18 333			18 333	164 630			0
	RSU 2020	28-may-20	29-may-23	9 440			9 440	84 771			0
Lambrecht, Xavier	RSU 2018	29-may-18	30-may-21	3 901			3 901	42 599			0
	RSU 2019	13-jun-19	14-jun-22	4 377					973	7 978,6	3 404
	RSU 2020	28-may-20	29-may-23	4 593					2 424	19 876,8	2 169
Löbel, Axel	RSU 2019	13-jun-19	14-jun-22	3 601					1 001	9 449,4	2 600
	RSU 2020	28-may-20	29-may-23	4 253					2 481	23 420,6	1 772
Navarre, Thierry	RSU 2018	29-may-18	30-may-21	7 643			7 218	78 821	425	3 816,5	0
	RSU 2019	13-jun-19	14-jun-22	9 167					3 692	33 154,2	5 475
	RSU 2020	28-may-20	29-may-23	9 440					6 818	61 225,6	2 622
Nielly, Laurent	RSU 2018	29-may-18	30-may-21	3 816			3 816	41 671			0
	RSU 2019	13-jun-19	14-jun-22	5 380							5 380
	RSU 2020	28-may-20	29-may-23	4 285							4 285

Value awarded is obtained by multiplying the number of RSUs awarded by the closing share price on the date preceding the grant.
Value vested is obtained by multiplying the number of RSUs vested by the share price at 12PM on the date of the vesting.
Value forfeited is obtained by multiplying the number of RSUs forfeited by the closing share price on the date of forfeiture.

Beneficiary	Plan Type	Main PS Conditions			Information for the reported financial year							
					Opening Balance	During the Year						Closing Balance
		Performance period	Grant Date	Vesting Date	Unvested	Number awarded	Value awarded (EUR)	Number vested	Value vested (EUR)	Number Forfeited	Value Forfeited (EUR)	Unvested
Amselem, Armando	PS 2019	2019-2021	13-jun-19	14-jun-22	4 420							4 420
	PS 2020	2020-2022	28-may-20	29-may-23	7 254							7 254
	PS 2021	2021-2023	27-may-21	28-may-24		20 814	226 873					20 814
Berrozpe, Esther	PS 2021	2021-2023	27-may-21	28-may-24		94 954	1 034 999					94 954
Crepy, Vincent	PS 2021	2021-2023	27-may-21	28-may-24		22 202	242 002					22 202
De Lathauwer, Astrid	PS 2019	2019-2021	13-jun-19	14-jun-22	4 766							4 766
	PS 2020	2020-2022	28-may-20	29-may-23	5 052							5 052
	PS 2021	2021-2023	27-may-21	28-may-24		19 328	210 675					19 328
De Poorter, Annick	PS 2019	2019-2021	13-jun-19	14-jun-22	4 595							4 595
	PS 2020	2020-2022	28-may-20	29-may-23	5 566							5 566
	PS 2021	2021-2023	27-may-21	28-may-24		21 293	232 094					21 293
Deroo, Jonas	PS 2019	2019-2021	13-jun-19	14-jun-22	752							752
	PS 2020	2020-2022	28-may-20	29-may-23	799							799
	PS 2021	2021-2023	27-may-21	28-may-24		15 138	165 004					15 138
Desmartis, Charles	PS 2019	2019-2021	13-jun-19	14-jun-22	18 333							18 333
	PS 2020	2020-2022	28-may-20	29-may-23	9 440							9 440
Lambrecht, Xavier	PS 2019	2019-2021	13-jun-19	14-jun-22	4 377					972	7 970	3 405
	PS 2020	2020-2022	28-may-20	29-may-23	4 593					2 423	19 869	2 170
	PS 2021	2021-2023	27-may-21	28-may-24		17 572	191 535			15 132	124 082	2 440
Löbel, Axel	PS 2019	2019-2021	13-jun-19	14-jun-22	3 601					1 001	9 449	2 600
	PS 2020	2020-2022	28-may-20	29-may-23	4 253					2 481	23 421	1 772
	PS 2021	2021-2023	27-may-21	28-may-24		12 202	133 002			11 186	105 596	1 016
Navarre, Thierry	PS 2019	2019-2021	13-jun-19	14-jun-22	9 167					3 692	33 154	5 475
	PS 2020	2020-2022	28-may-20	29-may-23	9 440					6 818	61 226	2 622
Nielly, Laurent	PS 2019	2019-2021	13-jun-19	14-jun-22	5 380							5 380
	PS 2020	2020-2022	28-may-20	29-may-23	4 285							4 285
	PS 2021	2021-2023	27-may-21	28-may-24		22 353	243 648					22 353
Vanneste, Peter	PS 2021	2021-2023	27-may-21	28-may-24		78 670	857 503					78 670

Value awarded is obtained by multiplying the number of performance shares awarded by the closing share price on the date preceding the grant.
Value vested is obtained by multiplying the number of performance shares vested by the share price at 12PM on the date of the vesting

9.4. Remuneration and Performance Evolution over the last 5 years

The table below sets out the evolution of the remuneration of the directors, the CEO and the other members of the Executive Committee, the average remuneration of the other employees, as well as the Revenue and Adjusted EBITDA performance at reported currencies.

	2017	2018	2019	2020	2021
Remuneration Directors	717 500	878 500	796 000	1 384 408	1 356 500
Year-on-year change		*22%*	*-9%*	*74%*	*-2%*
Remuneration CEO	1 337 278	1 645 643	2 570 254	6 779 690	1 588 121
Year-on-year change[1]		*23%*	*56%*	*164%*	*-77%*
Remuneration other Executives	6 040 576	7 530 716	9 057 625	7 827 523	6 635 885
Year-on-year change		*25%*	*20%*	*-14%*	*-15%*
Reported Revenue (Y-o-Y variance)	18%	-3%	0%	-9%	-3%
Reported Adjusted EBITDA (Y-o-Y variance)	7%	-12%	5%	-4%	-27%
Reported Free Cash Flow (Y-o-Y variance)[2]	-49%	18%	46%	-46%	-11%
Average Employee Remuneration	30 573	32 967	39 750	38 944	34 884
Year-on-year change		*8%*	*21%*	*-2%*	*-10%*

[1] The year-on-year change reported from 2020 to 2021 is -77%, which can be explained by the reported termination indemnity in 2020 for the former CEO Charles Bouaziz and former CEO Ad Interim Thierry Navarre.

[2] Years 2016-2018 restated for IFRS 16 (pro forma inclusion payments lease liabilities).

Remuneration in the table above includes the total remuneration as defined in sections 9.2 (Directors) and 9.3.2 (CEO and other Executives). In addition to the financial KPIs, the variable remuneration is set based on individually determined qualitative KPIs (for the CEO's objectives, we refer to section 9.3.2.). Revenue and Adjusted EBITDA are as per financial communications. The average employee remuneration represents the total remuneration paid to all employees of Ontex in 2021, divided by the average total number of employees during 2021.

The 2021 ratio of the total remuneration of the CEO versus the total remuneration of the lowest remunerated employee (located in Pakistan) is 612. For the calculation of this ratio, the remuneration includes fixed remuneration, variable remuneration as well as employee benefits on a full-time equivalent (FTE) basis. It excludes employer contributions for social security and extra-ordinary payments, because of their non-recurring nature.

9.5. 2022 Remuneration outlook

The Company's remuneration policy for 2022 will not deviate in any material aspect from the remuneration policy which was approved by the 2021 annual shareholders' meeting, other than in respect of the amendment to the remuneration of the Chair of the Board which is being proposed for approval to the annual shareholders' meeting of 5 May 2022.

The financial KPIs and their respective weights for the 2022 bonus will be the same as in 2021. As the financial targets are commercially sensitive, they will not be disclosed upfront. They will however be disclosed in the remuneration report, along with actual results on financial year 2022. The 2022 non-financial bonus KPIs will remain function specific.

The KPIs and their respective weight for the performance shares which will be granted in 2022 are also the same as in 2021.The basic adjusted EPS target is commercially sensitive, and will not be disclosed upfront. The 2022 targets for the other three performances shares KPIs are shown below.

KPI	2021 perf. shares target (2021-2023)	2022 perf. shares target (2022 – 2024)
CO2 Emissions	210	140
Labor Accident Frequency	4.73	1.50
Relative TSR	100% of peer index	100% of peer index

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEARS ENDED DECEMBER 31, 2021 AND 2020

CONTENTS

STATEMENT OF THE BOARD OF DIRECTORS

The Board of Directors of Ontex Group NV certifies in the name and on behalf of Ontex Group NV, that to the best of their knowledge,

- the consolidated financial statements, established in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, give a true and fair view of the assets, financial position and results of Ontex Group NV and of the entities included in the consolidation;

- the annual review presents a fair overview of the development and the results of the business and the position of Ontex Group NV and of the entities included in the consolidation, as well as a description of the principal risks and uncertainties facing them pursuant Article 12, paragraph 2 of the Royal Decree of November 14, 2007

  The amounts in this document are represented in millions of euros (€ million), unless noted otherwise.

  Due to rounding, numbers presented throughout these Consolidated Financial Statements may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

INDEPENDENT AUDITORS' REPORT

ONTEX GROUP NV

4 April 2022

STATUTORY AUDITOR'S REPORT TO THE GENERAL SHAREHOLDERS' MEETING OF ONTEX GROUP NV ON THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2021

We present to you our statutory auditor's report in the context of our statutory audit of the consolidated accounts of Ontex Group NV (the "Company") and its subsidiaries (jointly "the Group "Ontex"). This report includes our report on the consolidated accounts, as well as the other legal and regulatory requirements. This forms part of an integrated whole and is indivisible.

We have been appointed as statutory auditor by the general meeting d.d. 25 May 2020, following the proposal formulated by the board of directors and following the recommendation by the audit committee. Our mandate will expire on the date of the general meeting which will deliberate on the annual accounts for the year ended 31 December 2022. We have performed the statutory audit of the Company's consolidated accounts for 8 consecutive years.

REPORT ON THE CONSOLIDATED ACCOUNTS

Unqualified opinion

We have performed the statutory audit of the Group's consolidated accounts, which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information, and which is characterised by a consolidated statement of financial position total of EUR 2,749.4 million and a loss for the year of EUR 61.9 million.

In our opinion, the consolidated accounts give a true and fair view of the Group's net equity and consolidated financial position as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Basis for unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Belgium. Furthermore, we have applied the International Standards on Auditing as approved by the IAASB which are applicable to the year-end and which are not yet approved at the national level. Our responsibilities under those standards are further described in the "*Statutory auditor's responsibilities for the audit of the consolidated accounts"* section of our report. We have fulfilled our ethical responsibilities in accordance with the ethical requirements that are relevant to our audit of the consolidated accounts in Belgium, including the requirements related to independence.

We have obtained from the board of directors and Company officials the explanations and information necessary for performing our audit.

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 judgment, were of most significance in our audit of the consolidated accounts of the current period. These matters were addressed in the context of our audit of the consolidated accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(1) Going concern and liquidity situation

Description of the key audit matter

In 2021 Ontex Group incurred a loss of the year of EUR 61,9 million and profitability and cash flow generation were significantly impacted by the unprecedented raw materials and operating cost inflation, which is also expected to further impact profitability of 2022.

As set out in Note 7.4.1, and 7.17, the Company obtained agreement from its bank lenders to waive covenants tests in June and December 2022 and to replace it by a liquidity covenant. Even though the Company is confident that it has sufficient liquidity to meet its present and future obligations and to cover working capital needs, taking into account its available cash, cash equivalents and facilities available to the Company as committed facilities, management acknowledges that uncertainty remains in place with respect to the cash flow forecasts used to assess the going concern risk.

We consider this matter to be of most significance because of the complexity of the assessment process and the significant judgments in respect of assumptions used about the future results of the business and the related cash flow forecasts.

How our audit addressed the key audit matter

We analysed agreements with lenders and challenged the cash flow and liquidity forecast until Q1 2023. We verified consistency with the Board’s approved budgets, which were subject to timely oversight and challenge by the Directors. We have critically assessed the historical accuracy of management’s estimates and evaluation of business plans by comparing the prior year’s forecast with the Group’s actual performance. We tested the calculation method used and the accuracy thereof. We challenged the adequacy of management’s sensitivity analysis. We included business recovery specialists in our team to assist us with these procedures. We also assessed the adequacy of the disclosures (Note 7.3, Note 7.4.1, Note 7.5.8 and Note 7.17) in the financial statements.

Our results

We found the assumptions used by the directors to be appropriately reflected in the cash flow forecasts and the disclosures to be appropriate.

(2) Impairment of goodwill

Description of the key audit matter

Ontex carries a significant value of goodwill on the balance sheet amounting to EUR 1,039.9 million and recognised an impairment of EUR 66,1 million on the goodwill of the CGU "South-America" as detailed in disclosure 7.9. Under the International Financial Reporting Standards as endorsed by the EU ("IFRS's"), the Company is required to test the amount of goodwill for impairment at least annually. We consider this matter to be of most significance because of the complexity of the assessment process and significant judgments in respect of assumptions about the future results of the business and the discount rates applied to future cash flow forecasts. The most important assumptions relate to the discount rate, growth rates of revenue and operating margin.

How our audit addressed the key audit matter

We challenged if the goodwill impairment test was performed at the lowest CGU level at which the goodwill is monitored. We challenged the cash flow projections used in the impairment tests and the process through which they were prepared. We found that the projected cash flow for 2022 were consistent with the Board approved budgets, which were subject to timely oversight and challenge by the Directors. We have critically assessed the historical accuracy of management's estimates and evaluation of business plans by comparing the prior year's forecast with the Group's actual performance. For the cash flows after 2022 we critically assessed and checked the assumptions related to the long-term growth rates, by comparing them to industry forecasts and historical growth rates. We compared the weighted average cost of capital ("WACC") to the cost of capital and debt of the Group and comparable organisations, as well as considering territory specific factors. We tested the calculation method used and the accuracy thereof. We compared operating margin, working capital- and CAPEX percentage with past actuals. We challenged the adequacy of management's sensitivity analysis of the headroom. For all CGUs we calculated the degree to which these assumptions would need to move before an impairment conclusion was triggered. We discussed the likelihood of such a movement with management. We included valuation specialists in our team to assist us with these procedures. We tested the calculation of the impairment recognised on the South America CGU and assessed the allocation of the impairment charge to goodwill, intangible and tangible fixed assets (including right-of-use assets) of this CGU. We also evaluated the adequacy of the disclosures (Note 7.9 and Note 7.4.4) in the financial statements.

Our results

From our sensitivity analysis, we found the likelihood of changes resulting in additional impairment losses to be unlikely.

(3) Valuation of deferred taxes and valuation allowance on deferred tax assets related to tax losses carried forward

Description of the key audit matter

Ontex has recognised a deferred tax asset and deferred tax liability of respectively EUR 19.7 million and EUR 22.5 million. EUR 154.1 million deferred tax asset position was not recognised, as disclosed in Note 7.19. In 2021 Ontex wrote-off EUR 14.4 million deferred tax assets on previously recognised tax losses and EUR 24.6 million deferred tax asset positions on tax losses of 2021 were not recognised as disclosed in Note 7.27. The valuation of the deferred tax positions at Ontex involved significant judgement, more specifically in the determination of the recognition of deferred tax assets related to tax losses carried forward. The estimation of the future taxable basis is highly judgemental as well as the assessment of the impact of tax laws and regulations, tax planning action and strategies, rulings and transfer pricing. Because of all the aforementioned reasons, we found this key audit matter to be of most significance for our audit.

How our audit addressed the key audit matter

We challenged the assumptions made to assess the recoverability of deferred tax assets related to tax losses carried forward and the timing of the reversal of deferred tax positions. During our procedures, we used amongst others budgets, forecasts and tax laws and in addition we assessed the historical accuracy of management's assumptions. An important management judgement was the period over which taxable profits can be reliably estimated and consequently, no deferred tax assets are recognised for tax losses used in any period beyond. We verified that the deferred tax position was calculated at the enacted tax rate for the year in which the deferred tax position is expected to reverse.

We also assessed the adequacy and completeness of the Company's disclosure included in

Note 7.4.2, 7.19 and 7.27 in respect of deferred taxes.

Our results

We found management's judgements in respect of the Group's deferred tax positions to be consistent and in line with our expectations.

(4) Accounting for accruals for sales incentives

Description of the key audit matter

Trade discounts and volume rebates on sales are subject to judgmental estimates and assessments of the impact of commercial negotiations which take place after year-end. The accounting for accruals for sales incentives is material and hence of most significance for our audit. Ontex calculates an estimate of final incentives based on the information available until the financial statements are established. Incentives related to sales are reported as deduction of Group's revenue.

How our audit addressed the key audit matter

We have agreed the discount percentages or lump sum payments to underlying customer agreements, we recalculated the accrual and challenged the estimated impact of commercial negotiations taking into account the results. We also performed back-testing on the accruals per 31 December 2020. We reviewed credit notes and other adjustments to trade receivables after 31 December 2021 as part of our work around subsequent events.

Our results

Our work did not identify findings that are significant for the financial statements as a whole.

<u>Responsibilities of the board of directors for the preparation of the consolidated accounts</u>

The board of directors is responsible for the preparation of consolidated accounts that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated accounts, the board of directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

<u>Statutory auditor's responsibilities for the audit of the consolidated accounts</u>

Our objectives are to obtain reasonable assurance about whether the consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 ISAs 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 these consolidated accounts.

In performing our audit, we comply with the legal, regulatory and normative framework applicable to the audit of the consolidated accounts in Belgium. A statutory audit does not provide any assurance as to the Group's future viability nor as to the efficiency or effectiveness of the board of directors' current or future business management at Group level. Our responsibilities in respect of the use of the going concern basis of accounting by the board of directors are described below.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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;
- Obtain 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;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors;
- Conclude on the appropriateness of the board of directors' 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 statutory auditor's report to the related disclosures in the consolidated accounts 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 statutory auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the consolidated accounts, including the disclosures, and whether the consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtain sufficient and 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.

We communicate with the audit committee 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 identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated accounts of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Responsibilities of the board of directors

The board of directors is responsible for the preparation and the content of the directors' report on the consolidated accounts, the separate report on non-financial information and the other information included in the annual report on the consolidated accounts.

Statutory auditor's responsibilities

In the context of our engagement and in accordance with the Belgian standard which is complementary to the International Standards on Auditing (ISAs) as applicable in Belgium, our responsibility is to verify, in all material respects, the directors' report on the consolidated accounts, the separate report on non-financial information and the other information included in the annual report on the consolidated accounts and to report on these matters.

Aspects related to the directors' report on the consolidated accounts and to the other information included in the annual report on the consolidated accounts

In our opinion, after having performed specific procedures in relation to the directors' report on the consolidated accounts, this directors' report is consistent with the consolidated accounts for the year under audit and is prepared in accordance with article 3:32 of the Companies' and Associations' Code.

In the context of our audit of the consolidated accounts, we are also responsible for considering, in particular based on the knowledge acquired resulting from the audit, whether the directors' report on the consolidated accounts and the other information included in the annual report on the consolidated accounts, is materially misstated or contains information which is inadequately disclosed or otherwise misleading. In light of the procedures we have performed, there are no material misstatements we have to report to you.

The non-financial information required by virtue of article 3:32, §2 of the Companies' and Associations' Code is included in the directors' report on the consolidated accounts. The Company has prepared the non-financial information, based on the Global Reporting Initiative Standards and with reference to the Sustainable Development Goals. However, in accordance with article 3:80, §1, 5° of the Companies' and Associations' Code, we do not express an opinion as to whether the non-financial information has been prepared in accordance with the Global Reporting Initiative Standards and with reference to the Sustainable Development Goals as disclosed in the directors' report on the consolidated accounts.

Statement related to independence

- Our registered audit firm and our network did not provide services which are incompatible with the statutory audit of the consolidated accounts, and our registered audit firm remained independent of the Group in the course of our mandate.
- The fees for additional services which are compatible with the statutory audit of the consolidated accounts referred to in article 3:65 of the Companies' and Associations' Code are correctly disclosed and itemized in the notes to the consolidated accounts.

European Uniform Electronic Format (ESEF)

We have also verified, in accordance with the draft standard on the verification of the compliance of the financial statements with the European Uniform Electronic Format (hereinafter "ESEF"), the compliance of the ESEF format with the regulatory technical standards established by the European Delegate Regulation No. 2019/815 of 17 December 2018 (hereinafter: "Delegated Regulation").

The board of directors is responsible for the preparation, in accordance with ESEF requirements, of the consolidated financial statements in the form of an electronic file in ESEF format (hereinafter "digital consolidated financial statements") included in the annual financial report.

Our responsibility is to obtain sufficient appropriate evidence to conclude that the format and marking language of the digital consolidated financial statements comply in all material respects with the ESEF requirements under the Delegated Regulation.

Based on the work we have performed, we believe that the format of and marking of information in the digital consolidated financial statements included in the annual financial report of Ontex Group NV per 31 December 2021 comply in all material respects with the ESEF requirements under the Delegated Regulation.

Other statements

This report is consistent with the additional report to the audit committee referred to in article 11 of the Regulation (EU) N° 537/2014.

Ghent, 4 April 2022

The statutory auditor

PwC Reviseurs d'Entreprises SRL / PwC Bedrijfsrevisoren BV

Represented by

Lien Winne

Réviseur d'Entreprises / Bedrijfsrevisor

1. GENERAL INFORMATION

1.1. CORPORATE INFORMATION

The consolidated financial statements of Ontex Group NV for the year ended December 31, 2021 were authorized for issue in accordance with a resolution of the Board of Directors on March 24, 2022.

1.2. BUSINESS ACTIVITIES

Ontex is a leading international provider of personal hygiene solutions, with expertise in baby care, feminine care and adult care. Ontex's innovative products are distributed in more than 110 countries through leading retailer brands, lifestyle brands and Ontex brands. Employing approximately 9,000 passionate people all over the world, Ontex has a presence in 21 countries, with its headquarters in Aalst, Belgium.

1.3. HISTORY OF THE GROUP

Ontex was founded in 1979 by Paul Van Malderen and initially produced mattress protectors for the Belgian institutional market. During the 1980s and the first half of the 1990s, the Company expanded its product range into its current core product categories and grew the business internationally both organically and through acquisitions.

After opening a production facility in the Czech Republic and acquiring businesses in Belgium, Germany and Spain, Ontex was listed on Euronext Brussels in 1998. Following the listing, Ontex experienced rapid growth over several years, primarily through bolt-on acquisitions in France, Germany and Turkey.

Ontex was acquired by funds advised by Candover in 2003 and subsequently de-listed from Euronext Brussels. Ontex acquired a diaper production unit of Paul Hartmann in Germany in 2004 and opened a production facility in China in 2006. In 2008, we opened a production facility in Algeria. In 2010, Ontex acquired iD Medica, which sells incontinence products in Germany.

In 2010, Ontex was acquired by funds managed by GSCP and TPG. In 2011, Ontex opened two additional production facilities, one in Australia and one in Russia, and acquired Lille Healthcare, a company operating in the adult incontinence market in France. In 2013, Ontex acquired Serenity, a company operating in the adult incontinence market in Italy, and opened a production facility in Pakistan.

In June 2014, Ontex Group NV successfully listed its shares on the Euronext Brussels exchange and trades under the ticker 'ONTEX'.

In February 2016, Ontex acquired Grupo Mabe, a leading Mexican manufacturer of disposable personal hygiene products.

In March 2017, Ontex has completed the acquisition of the personal hygiene business of Hypermarcas (renamed to "Ontex Brazil").

In July 2017 Ontex opened its new production plant in Ethiopia for the manufacturing of baby diapers that are specifically meeting the needs of African families.

In February 2019, Ontex opened a new production plant in Radomsko, Poland to support its Central European business.

In July 2020, Ontex acquired the US feminine hygiene assets from Albaad Massuot Yitzhak Ltd. in Rockingham County to further develop the North-American business.

In December 2021, Ontex announced its reviewed strategy to focus on its partner and healthcare brands business, which is concentrated in Europe, and North America, and thereby is pursuing alternative strategic solutions for its mainly own brand focused businesses in the emerging markets of Central and South America, as well as the Middle East and Africa.

1.4. LEGAL STATUS

Ontex Group NV is a limited-liability company incorporated as a "*naamloze vennootschap*" ("NV") under Belgian law with company registration number 0550.880.915. Ontex Group NV has its registered office at Korte Keppestraat 21, 9320 Erembodegem (Aalst), Belgium. The shares of Ontex Group NV are listed on the regulated market of Euronext Brussels.

2. CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31

ASSETS in € million	Note	December 31, 2021	December 31, 2020
Non-current Assets			
Goodwill	9	1,039.9	1,106.7
Intangible assets	9	45.8	53.5
Property, plant and equipment	10	573.4	615.9
Right-of-use assets	11	102.0	126.8
Deferred tax assets	19	19.7	24.9
Non-current receivables		3.5	6.9
		1,784.4	**1,934.7**
Current Assets			
Inventories	12	358.7	319.1
Trade receivables	13	269.8	286.3
Prepaid expenses and other receivables	13	69.2	57.0
Current tax assets	19	15.0	18.8
Derivative financial assets	5.1	5.7	18.0
Cash and cash equivalents	14	246.7	430.1
Non-current assets held for sale		0.0	2.9
		965.1	**1,132.4**
TOTAL ASSETS		**2,749.4**	**3,067.0**

EQUITY AND LIABILITIES in € million	Note	December 31, 2021	December 31, 2020
Equity attributable to owners of the company			
Share capital & premium	15	1,208.0	1,208.0
Treasury shares		(36.3)	(38.8)
Cumulative translation reserves		(333.1)	(333.5)
Retained earnings and other reserves		207.8	262.7
TOTAL EQUITY		**1,046.3**	**1,098.4**
Non-current liabilities			
Employee benefit liabilities	18	22.0	26.6
Interest-bearing debts	17	885.2	911.4
Deferred tax liabilities	19	22.5	29.2
Other payables		0.2	0.5
		929.9	**967.6**
Current liabilities			
Interest-bearing debts	17	87.0	366.3
Derivative financial liabilities	5.1	4.1	14.1
Trade payables	20	532.6	476.9
Accrued expenses and other payables	20	39.0	40.9
Employee benefit liabilities	20	46.2	52.5
Current tax liabilities	19	31.8	31.8
Provisions	21	32.6	18.5
		773.2	**1,001.1**
TOTAL LIABILITIES		**1,703.2**	**1,968.7**
TOTAL EQUITY AND LIABILITIES		**2,749.4**	**3,067.0**

The accompanying notes are an integral part of the Audited Consolidated Financial Statements.

3. CONSOLIDATED INCOME STATEMENT FOR THE YEARS ENDED DECEMBER 31

in € million	Note	Full Year 2021	Full Year 2020
Revenue	6	2,026.4	2,086.8
Cost of sales	25	(1,510.4)	(1,477.7)
Gross Profit		**516.0**	**609.1**
Distribution expenses	25	(196.4)	(194.6)
Sales and marketing expenses	25	(145.1)	(166.0)
General administrative expenses	25	(84.3)	(91.2)
Other operating income/(expenses), net	23-25	(5.6)	(8.5)
Income and expenses related to changes to Group structure	24	38.6	(25.4)
Income and expenses related to impairments and major litigations	24	(123.3)	(12.4)
Operating profit/(loss)		**(0.2)**	**110.9**
Finance income	26	2.6	1.8
Finance costs	26	(48.4)	(38.0)
Net exchange differences relating to financing activities	26	3.2	0.5
Net finance cost		**(42.7)**	**(35.7)**
Profit/(loss) before income tax		**(42.9)**	**75.2**
Income tax expense	27	(19.0)	(21.3)
Profit/(loss) for the period from continuing operations		**(61.9)**	**54.0**
Profit/(loss) for the period		**(61.9)**	**54.0**
Profit/(loss) attributable to:			
Owners of the parent		(61.9)	54.0
Profit/(loss) for the period		**(61.9)**	**54.0**

Earnings per share:

in €	Note	Full Year 2021	Full Year 2020
Basic earnings per share	16	(0.76)	0.67
Diluted earnings per share	16	(0.76)	0.67
Adjusted basic earnings per share	16	0.07	1.01
Adjusted diluted earnings per share	16	0.06	1.01
Weighted average number of ordinary shares outstanding during the period		80,950,106	80,851,227

The accompanying notes are an integral part of the Audited Consolidated Financial Statements.

4. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31

	Full Year	
in € million	**2021**	**2020**
Profit/(loss) for the period	**(61.9)**	**54.0**
Other comprehensive income/(loss) for the period, after tax:		
Remeasurements of defined benefit plans (Note 7.18)	4.6	0.7
Deferred tax on items that will not be reclassified subsequently to income statement	(1.2)	(0.2)
Items that will not be reclassified subsequently to income statement, net of tax	**3.4**	**0.5**
Exchange differences on translating foreign operations	0.4	(161.0)
Fair value remeasurements - Cash flow hedge	6.9	3.1
Deferred tax on items that will be reclassified subsequently to income statement	(1.8)	0.3
Items that will be reclassified subsequently to income statement, net of tax	**5.5**	**(157.5)**
Other comprehensive income/(loss) for the period, net of tax	**8.9**	**(157.0)**
Total comprehensive income/(loss) for the period	**(53.0)**	**(103.0)**
Total comprehensive income/(loss) attributable to:		
Owners of the parent	(53.0)	(103.0)
Total comprehensive income/(loss) for the period	**(53.0)**	**(103.0)**

The accompanying notes are an integral part of the Audited Consolidated Financial Statements.

5. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31

in € million	Attributable to equity holders of the Company						
	Number of shares	Share capital	Share Premium	Treasury shares	Cumulative translation reserves	Retained earnings and other reserves	Total Equity
Balance at December 31, 2020	**82,347,218**	**795.2**	**412.8**	**(38.8)**	**(333.5)**	**262.7**	**1,098.4**
Transactions with owners at the level of Ontex Group NV:							
Share-based payments	-	-	-	-	-	1.2	1.2
Settlement of share-based payments	-	-	-	2.8	-	(2.8)	-
Treasury Shares	-	-	-	(0.3)	-	(0.0)	(0.3)
Total transactions with owners	**-**	**-**	**-**	**2.4**	**-**	**(1.5)**	**0.9**
Comprehensive income:							
Profit/(loss) for the period	**-**	**-**	**-**	**-**	**-**	**(61.9)**	**(61.9)**
Other comprehensive income:							
Exchange differences on translating foreign operations	-	-	-	-	0.4	-	0.4
Remeasurements of defined benefit pension plans	-	-	-	-	-	3.4	3.4
Fair value remeasurements - Cash flow hedge	-	-	-	-	-	5.1	5.1
Total other comprehensive income/(loss)	**-**	**-**	**-**	**-**	**0.4**	**8.5**	**8.9**
Balance at December 31, 2021	**82,347,218**	**795.2**	**412.8**	**(36.3)**	**(333.1)**	**207.8**	**1,046.3**

in € million	Attributable to equity holders of the Company						
	Number of shares	Share capital	Share Premium	Treasury shares	Cumulative translation reserves	Retained earnings and other reserves	Total Equity
Balance at December 31, 2019	**82,347,218**	**795.2**	**412.8**	**(40.3)**	**(172.6)**	**203.1**	**1,198.2**
Transactions with owners at the level of Ontex Group NV:							
Share-based payments	-	-	-	-	-	3.2	3.2
Settlement of share-based payments	-	-	-	1.5	-	(1.5)	-
Total transactions with owners	**-**	**-**	**-**	**1.5**	**-**	**1.7**	**3.2**
Comprehensive income:							
Profit/(loss) for the period	**-**	**-**	**-**	**-**	**-**	**54.0**	**54.0**
Other comprehensive income:							
Exchange differences on translating foreign operations	-	-	-	-	(161.0)	-	(161.0)
Remeasurements of defined benefit pension plans	-	-	-	-	-	0.5	0.5
Fair value remeasurements - Cash flow hedge	-	-	-	-	-	3.5	3.5
Total other comprehensive income/(loss)	**-**	**-**	**-**	**-**	**(161.0)**	**4.0**	**(157.0)**
Balance at December 31, 2020	**82,347,218**	**795.2**	**412.8**	**(38.8)**	**(333.5)**	**262.7**	**1,098.4**

The accompanying notes are an integral part of the Audited Consolidated Financial Statements.

The shareholding of Ontex Group NV based on the transparency declarations as per December 31, 2021, is as follows:

Shareholder	December 31, 2021	%[1]
Groupe Bruxelles Lambert SA	16,454,453	19.98%
ENA Investment Capital	12,411,999	15.07%
The Pamajugo Irrevocable Trust	2,722,221	3.64%
Veraison SICAV - Engagement Fund	2,497,800	3.03%

[1]At the time of the transparency declaration

The accompanying notes are an integral part of the Audited Consolidated Financial Statements.

6. CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31

in € million	Note	Full Year 2021	Full Year 2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) for the period		**(61.9)**	**54.0**
Adjustments for:			
Income tax expense		19.0	21.3
Depreciation and amortization		87.7	86.8
Impairment losses and items relating to investing activities		41.0	3.8
Provisions (including employee benefit liabilities)		15.4	(1.7)
Change in fair value of financial instruments		(2.4)	1.9
Net finance cost		42.7	35.7
Changes in working capital:			
Inventories		(39.2)	(29.9)
Trade and other receivables and prepaid expenses		(1.4)	(0.8)
Trade and other payables and accrued expenses		56.4	51.5
Employee benefit liabilities		(6.4)	1.2
Cash from operating activities before taxes		**150.9**	**223.8**
Income taxes paid		(20.6)	(33.3)
NET CASH GENERATED FROM OPERATING ACTIVITIES		**130.3**	**190.5**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment and intangible assets		(56.5)	(105.6)
Proceeds from disposal of property, plant and equipment and intangible assets		1.9	0.6
Payment for (or Proceeds related to) acquisition of subsidiary, net of cash acquired	8	80.0	(7.6)
NET CASH GENERATED FROM / (USED IN) INVESTING ACTIVITIES		**25.3**	**(112.6)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	17	799.3	308.3
Repayment of borrowings	17	(1,125.0)	(33.2)
Interests paid	26	(26.8)	(29.8)
Interests received	26	2.5	1.8
Cost of refinancing & other costs of financing		19.7	(1.1)
Realized foreign exchange (losses)/gains on financing activities		0.3	(2.5)
Derivative financial assets		(2.4)	(0.9)
NET CASH GENERATED FROM / (USED IN) FINANCING ACTIVITIES		**(332.4)**	**242.6**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(176.8)**	**320.5**
Effects of exchange rate changes on cash and cash equivalents		(6.7)	(18.2)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		**430.1**	**127.8**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**246.7**	**430.1**

The accompanying notes are an integral part of the Audited Consolidated Financial Statements.

7. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7.1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

7.1.1. Introduction

The accounting policies used to prepare the consolidated financial statements for the period from January 1, 2021 to December 31, 2021 are consistent with those applied in the audited consolidated financial statements for the year ended December 31, 2020 of Ontex Group NV. The accounting policies have been consistently applied to all the periods presented.

7.1.2. Basis of preparation

These consolidated financial statements of the Ontex Group NV for the year ended December 31, 2021 have been prepared in compliance with IFRS ("International Financial Reporting Standards") as adopted by the European Union. These include all IFRS standards and IFRIC interpretations issued and effective as at December 31, 2021. The new standards, amendments to standards and interpretations that are mandatory for the first time for the financial year beginning January 1, 2021, did not have a significant impact. No new standards, amendments to standards or interpretations were early adopted.

These consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments for which fair value is used (such as derivative instruments).

These financial statements are prepared on an accrual basis and on the assumption that the entity is in going concern and will continue in operation in the foreseeable future.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Group accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 7.4.

IFRS accounting standards to be adopted as from 2021 and onwards

The following relevant new standards and amendments to existing standards have been published and endorsed by the European Union and are mandatory for the first time for the financial periods beginning on or after January 1, 2021:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – *Interest Rate Benchmark Reform – Phase 2* (effective 01/01/2021). These amendments address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. The amendments are effective for annual periods beginning on or after 1 January 2022, with earlier application permitted.

Amendments to IFRS 16 – *Covid 19-Related Rent Concessions (beyond June 30, 2021)* (effective June 1, 2020 and April 1, 2021): If certain conditions are met, the amendments would permit lessees, as a practical expedient, not to assess whether particular covid-19-related rent concessions are lease modifications. Instead, lessees that apply the practical expedient would account for those rent concessions as if they were not lease modifications.

The above-mentioned standards did not have an impact on the financial statements.

Relevant IFRS accounting pronouncements to be adopted as from 2022 onwards

A number of new standards, amendments to existing standards and annual improvement cycles have been published and are mandatory for the first time for reporting periods beginning on or after January 1, 2022 and have not been early adopted. Those which may be the most relevant to the Ontex Group's consolidated financial statements are set out below, but are expected not to have a significant impact on the Ontex' consolidated financial statements.

Amendments to IAS 1 – *Classification of Liabilities as Current or Non-current* (effective January 1, 2023, but not yet endorsed in EU): The amendments provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date.

Amendments to IAS 1 – *Presentation of Financial Statements* and IFRS Practice Statement 2 – *Disclosure of Accounting policies* (effective January 1, 2023, but not yet endorsed in EU).

Amendments to IAS 8 – *Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates* (effective 1 January 2023, but not yet endorsed in EU). The amendment to IAS 8 clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates.

Amendments to IAS 12 – *Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction* (effective 1 January 2023, but not yet endorsed in EU). The amendments clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations. The main change in the amendments is an exemption from the initial recognition exemption of IAS 12. Accordingly, the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

Amendments to IAS 16 – *Proceeds before Intended Use* (effective January 1, 2022): The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Amendments to IAS 37 – *Onerous Contracts – Cost of Fulfilling a Contract* (effective January 1, 2022): The amendments clarify the costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.

Annual Improvements 2018-2020 (effective January 1, 2022): The annual improvements package includes the following minor amendments: Subsidiary as a First-time Adopter (Amendment to IFRS 1); Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Amendment to IFRS 9); Lease Incentives (Amendment to Illustrative Example 13 of IFRS 16); Taxation in Fair Value Measurements (Amendment to IAS 41).

7.1.3. Consolidation

Subsidiaries

Subsidiaries are all entities over which the Group has control. Control is established when the Group is exposed, or has the rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration agreement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired, liabilities assumed and contingent liabilities assumed in a business combination are measured initially at their fair values at acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary in the case of a bargain purchase, the difference is recognized directly in the income statement.

Intercompany transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated but considered an impairment indicator of the asset transferred.

Transactions with non-controlling interests

The Group treats the transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is recorded in equity. Gains and losses on disposal to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

7.1.4. Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Separately recognized goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

The goodwill recognized in the statement of financial position is allocated to four Cash Generating Units (CGUs). These CGUs are Europe, North- & Central-America, Middle East, Africa & Asia and South-America. They represent the lowest level within the entity at which the goodwill is monitored for internal management purposes.

7.1.5. Foreign currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in euro, which is the Group's presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

Foreign exchange gains and losses that relate to interest-bearing debts and cash and cash equivalents are presented in the income statement within 'Net finance cost'. All other foreign exchange gains and losses are presented in the income statement within 'Other operating income/(expenses), net'.

For the purpose of presenting consolidated financial statements, assets and liabilities of the Group's foreign operations are translated at the closing rate at the end of the reporting period. Items of income and expense are translated at the monthly average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions), and equity items are translated at historical rates. The resulting exchange rate differences are recognized in other comprehensive income and accumulated in a separate component of equity.

The principal exchange rates that have been used are as follows:

	December 31, 2021		December 31, 2020	
Currency	Closing Rate	Av Rate Year	Closing Rate	Av Rate Year
AUD	1.5615	1.5747	1.5896	1.6554
BRL	6.3101	6.3813	6.3735	5.8900
CZK	24.8580	25.6468	26.2420	26.4554
GBP	0.8403	0.8600	0.8990	0.8892
MXN	23.1438	23.9903	24.4160	24.5118
PLN	4.5969	4.5640	4.5597	4.4432
RUB	85.3004	87.2321	91.4671	82.6454
DZD	158.2669	160.2390	162.4435	145.0615
USD	1.1326	1.1835	1.2271	1.1413

7.1.6. Intangible assets

An intangible asset is recognized on the statement of financial position when the following conditions are met: (1) the asset is identifiable, i.e. either separable (if it can be sold, transferred, licensed) or it results from contractual or legal rights; (2) it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group; (3) the Group can control the resource; and (4) the cost of the asset can be measured reliably.

Intangible assets are carried at acquisition cost (including the costs directly attributable to the transaction) less any accumulated amortizations and less any accumulated impairment losses.

Within the Group, internally generated intangibles represent IT projects and product/process development projects.

Development costs that are directly attributable to the design and testing of identifiable and unique projects controlled by the Group are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the project so that it will be available for use
- management intends to complete the project and use or sell it
- there is an ability to use or sell the project
- it can be demonstrated how the project will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the project are available, and
- the expenditure attributable to the project during its development can be reliably measured.

The Group's systems allow a reliable measure of expenses directly attributable to the different IT and product/process development projects.

Research expenditure and development expenditure that do not meet the criteria above are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

Externally acquired software is carried at acquisition cost less any accumulated amortization and less any accumulated impairment loss.

Maintenance costs as well as the costs of minor upgrades whose objective is to maintain (rather than increase) the level of performance of the asset are expensed as incurred.

Borrowing costs that are directly attributable to the acquisition, construction and or production of a qualifying intangible asset are capitalized as part of the cost of the asset.

Intangible assets are amortized on a systematic basis over their useful life, using the straight-line method. The applicable useful lives are:

Intangible assets	
Brands	20 years
IT implementation costs	5 years
Capitalized development costs	3 to 5 years
Licenses	3 to 5 years
Acquired concessions, patents, know-how, and other similar rights	5 years

Amortization commences only when the asset is available for use.

7.1.7. Property, plant and equipment

Property, plant and equipment are carried at acquisition cost less any accumulated depreciation and less any accumulated impairment loss. Acquisition cost includes any directly attributable cost of bringing the asset to working condition for its intended use. Borrowing costs that are directly attributable to the acquisition, construction and/or production of a qualifying asset are capitalized as part of the cost of the asset.

Expenditure on repair and maintenance which serve only to maintain, but not increase, the value of fixed assets is charged to the income statement. However, expenditure on major repair and major maintenance, which increases the future economic benefits that will be generated by the fixed asset, is identified as a separate element of the acquisition cost. The cost of property, plant and equipment is broken down into major components. These major components, which are replaced at regular intervals and consequently have a useful life that is different from that of the fixed asset in which they are incorporated, are depreciated over their specific useful lives. In the event of replacement, the component is replaced and removed from the statement of financial position, and the new asset is depreciated up until the next major repair or maintenance.

The depreciable amount is allocated on a systematic basis over the useful life of the asset, using the straight-line method. The depreciable amount is the acquisition cost, less residual value, if any. The applicable useful lives are:

Property, plant and equipment	
Land	N/A
Land improvements and buildings	30 years
Plants, machinery and equipment	10 to 15 years
Furniture and vehicles	4 to 8 years
Other tangible assets	5 years
IT equipment	3 to 5 years

The useful life of the machines is reviewed regularly. Each time a significant upgrade is performed, such upgrade extends the useful life of the machine. The cost of the upgrade is added to the carrying amount of the machine and the new carrying amount is depreciated prospectively over the remaining estimated useful life of the machine.

7.1.8. Leases

The Group leases several properties, machinery, vehicles and IT equipment. Leases are recognized as a right-of-use asset and corresponding liability at the date of which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (less any lease incentives),
- variable lease payments that are based on an index or rate,
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, or the Group's incremental borrowing rate, i.e. the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- an estimate of the costs related to the dismantling and removal of the underlying asset.

If it is reasonably certain that the Group will exercise a purchase option, the asset shall be depreciated on a straight-line basis over its useful life (see property, plant and equipment above). In all other circumstances the asset is depreciated on a straight-line basis over the shorter of the useful life of the asset or the lease term.

For short-term leases (lease term of 12 months or less) or leases of low-value items (mainly IT equipment and small office furniture) to which the Group applies the recognition exemptions available in IFRS 16, lease payments are recognized on a straight-line basis as an expense over the lease term.

Some property leases contain variable payment terms that are linked to the use of the property (mainly warehouses). Variable lease payments that depend on the use are recognized in profit or loss in the period in which the condition that triggers those payments occurs.

7.1.9. Impairment of non-financial assets, other than goodwill

Intangible assets with indefinite useful lives and intangible assets not yet available for use are not subject to amortization, but are tested annually for impairment.

Other assets which are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

7.1.10. Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises the production costs, like raw materials, direct labor, and also the indirect production costs (production overheads based on normal operating capacity). Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Spare parts held by the Group are classified as property, plant and equipment if they are expected to be used in more than one period and if they are specific to a single machine. If they are not expected to be used in more than one period or if they can be used on several machines, they are classified as inventory. For the spare parts classified as inventory, the Group uses write-down rules based on the economic use of these spare parts.

7.1.11. Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. For a sale to be highly probable, management should be committed to a plan to sell the asset (or disposal group), an active program to locate a buyer and complete the plan should be initiated, the asset (or disposal group) should be actively marketed at a price which is reasonable in relation to its current fair value, the sale should be expected to be completed within one year from the date of classification, and actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

A disposal group is a group of assets to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction. The group includes goodwill acquired in a business combination if the group is a cash-generating unit to which goodwill has been allocated, or if it is an operation within such a cash-generating unit.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Any excess of the carrying amount over the fair value less costs to sell is recognized as an impairment loss. Depreciation of such assets is discontinued as from their classification as held for sale. Prior period consolidated statements of financial position are not restated to reflect the new classification of a non-current asset (or disposal group) as held for sale.

A discontinued operation is a component of the Group which the Group has disposed of or which is classified as held for sale, and which:

- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

7.1.12. Revenue recognition

Ontex Group's core activity is the sale of goods with as only performance obligation the delivery of goods. As such, the Group recognizes revenue at a point in time when control of the goods is transferred to the customer, generally on delivery of the goods. The Group sells its products to its customers directly, through distributors or agents. This can result in a different moment to recognize revenue. Following delivery to distributors, the distributor has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when selling the goods and bears the risks of obsolescence and loss in relation to the goods.

Next to the sale of goods, distinct services – mainly customer training or customer assistance services – are rendered predominantly over the period that the corresponding goods are sold to the customer. Transportation (shipping) is not be considered as a separate performance obligation as control over the goods is only transferred to the customer after the shipment.

Payment terms can differ depending on the customer, based on the credit risk and prior payment behavior of the customer. In addition, the geographical location of the company and the customer have an effect on the payment terms. There are no significant financing components in the transaction prices and the considerations are paid in cash.

Customer contracts include trade discounts or volume rebates, which are granted to the customer if the delivered quantities exceed a certain threshold. In these cases, the transaction price includes a variable consideration. The effect of the variable consideration on the transaction price is taken into account in revenue recognition by estimating the probability of the realization of the discount or rebate for each contract. Furthermore, the estimated variable consideration is included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved (constraining the variable consideration). Furthermore, the Group considers all payments made to customers and whether these are related to the revenue generated from the customer.

A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

7.1.13. Financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value and financial assets at amortized cost. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. Management determines the classification of its financial assets at initial recognition.

Regular purchases and sales of financial assets are recognized on the trade date – the date on which the Group commits to purchase or sell an asset.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets (such as loans, trade and other receivables, cash and cash equivalents) are subsequently measured at amortized cost using the effective interest method, less any impairment if they are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest.

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Trade and other receivables after and within one year are recognized initially at fair value and subsequently measured at amortized cost, i.e. at the net present value of the receivable amount, using the effective interest rate method, less allowances for impairment.

The Group assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortized cost. For trade receivables, the Group applies the simplified approach permitted by IFRS 9 *Financial Instruments*, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

The amount of the allowance is deducted from the carrying amount of the asset and is recognized in the income statement within 'Sales and marketing expenses'.

Trade receivables are no longer recognized when (1) the rights to receive cash flows from the trade receivables have expired, (2) the Group has transferred substantially all risks and rewards related to the receivables.

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

7.1.14. Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

7.1.15. Share capital

Ordinary shares are classified as equity. Where any Group company purchases the company’s equity share capital (treasury shares), the consideration paid is deducted from equity attributable to owners of the company until the shares are cancelled or reissued. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Financial instruments, such as the Convertible Preferred Equity Certificates (CPECs), are either classified as financial liabilities or equity. The financial instrument is included in equity if, and only if, the instrument does not include a contractual obligation to deliver cash or another financial asset or to exchange financial assets or liabilities under conditions that are potentially unfavorable to the Group, and if the instrument will or may be settled in a fixed number of the Group’s own equity instruments.

7.1.16. Government grants

Grants from governments are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to property, plant and equipment are deducted from the acquisition cost of the assets to which they relate and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

7.1.17. Employee benefits

Short-term employee benefits

Short-term employee benefits are recorded as an expense in the income statement in the period in which the services have been rendered. Any unpaid compensation is included in ‘Employee benefit liabilities’ in the statement of financial position.

Post-employment benefits

Group companies operate various pension schemes. Most of the schemes are unfunded. Some schemes are funded through payments to insurance companies or pension funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise.

Past-service costs are recognized immediately in income. The net interest cost relating to the defined benefit plans is recognized within financial expenses.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

Long-term employee benefits

Unfunded obligations arising from long-term benefits are provided for using the projected unit credit method.

Termination benefits

Early termination obligations are recognized as a liability when the Group is 'demonstrably committed' to terminating the employment before the normal retirement date. The Group is 'demonstrably committed' when, and only when, it has a detailed formal plan for the early termination without realistic possibility of withdrawal. Where such benefits are long term, they are discounted using the same rate as above for defined benefit obligations.

7.1.18. Share-based payments

The Group operates an equity settled share-based compensation plan, consisting of stock options (hereafter 'options'), restricted stock units ('RSU') and performance stock units ('PSU'). For grants of options, RSU's and PSU's, the fair value of the employee services received is measured by reference to the fair value of the shares or options granted on the date of the grant. The Group recognizes the fair value of the services received in exchange for the grant of the options as an expense and a corresponding increase in equity on a straight-line basis over the vesting period. The fair value of the options granted is determined using option pricing models, which take into account the exercise price of the option, the share price at date of grant of the option, the risk-free interest rate, the expected volatility of the share price over the life of the option and other relevant factors. Vesting conditions included in the terms of the grant are not taken into account in estimating fair value except where those terms relate to market conditions. Non-market vesting conditions are considered by adjusting the number of shares or options included in the measurement of the cost of employee services so that ultimately the amount recognized in the income statement reflects the number of vested shares or options.

At each balance sheet date, the entity revises its estimates of the number of instruments that are expected to become exercisable and recognizes the impact of revision of original estimates, if any, in the income statement and a corresponding adjustment to equity over the remaining vesting period.

When the instruments are exercised, the proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

The social security contributions payable in connection with the grant of the instruments is considered an integral part of the grant itself, and the charge will be treated as a cash-settled transaction.

7.1.19. Provisions

Provisions are recognized when (1) the Group has a present legal or constructive obligation as a result of past events; (2) it is probable that an outflow of resources will be required to settle the obligation; and (3) the amount has been reliably estimated. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as finance cost.

If the Group has an onerous contract, it will be recognized as a provision. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognized for future operating losses.

A provision for restructuring is only recorded if the Group demonstrates a constructive obligation to restructure at the balance sheet date. The constructive obligation should be demonstrated by: (a) a detailed formal plan identifying the main features of the restructuring; and (b) raising a valid expectation to those affected that it will carry out the restructuring by starting to implement the plan or by announcing its main features to those affected.

7.1.20. Income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group's subsidiaries operate and generate taxable income. In line with paragraph 46 of IAS 12 *Income taxes*, management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. This evaluation is made for tax periods open for audit by the competent authorities.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

However, the deferred tax is not recognized for:

- the initial recognition of goodwill; and
- the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax is recognized on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liabilities where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax liabilities are generally recognized for taxable temporary differences.

Deferred tax assets are generally recognized for tax losses and tax attributes to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred taxes are calculated at the level of each fiscal entity in the Group. The Group is able to offset deferred tax assets and liabilities only if the deferred tax balances relate to income taxes levied by the same taxation authority.

7.1.21. Financial liabilities

Financial liabilities (including borrowings and trade and other payables) are classified as at amortized cost, except for derivative instruments (see 7.1.22 below).

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

When a financial liability measured at amortized cost is modified without this resulting in derecognition, a gain or loss is recognized in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate.

A limited part of trade payable is subject to reverse factoring. As the main risk and rewards of the trade payable remain with the Group, the financial liability is not de-recognized from trade payables.

7.1.22. Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate, foreign exchange rate and commodity price risks and equity price risks associated with share-based payments, including foreign exchange forward contracts, commodity hedging contracts and interest rate CAP's and SWAP's and a total return swap.

Derivatives are accounted for in accordance with IFRS 9. Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently re-measured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

The fair values of various derivative instruments are disclosed in note 7.5 'Financial Instruments and Financial Risk Management'. The full fair value of a derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

If no hedge accounting is applied, the Group recognizes all gains or losses resulting from changes in fair value of derivatives in the consolidated income statement within Other operating income/expense to the extent that they relate to operating activities and within Net finance cost to the extent that they relate to the financing activities of the Group (e.g. interest rate swaps relating to the floating rate borrowings).

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

7.1.23. Hedge accounting

The Group designates certain hedging instruments, which include derivatives in respect of foreign currency risk and commodities, as cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss and is included in the ‘other operating income/(expense)' line item.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognized in profit or loss, in the same line of the consolidated income statement as the recognized hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognized in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

7.1.24. Operating segments

The Group’s activities are in one segment. There are no other significant classes of business, either singularly or in aggregate. The chief operating decision maker, the Board of Directors, reviews the operating results (defined as EBITDA) and operating plans, and make resource allocation decisions on a company-wide basis; therefore, the Group operates as one segment.

7.1.25. Statement of cash flows

The cash flows of the Group are presented using the indirect method. This method reconciles the movement in cash for the reporting period by adjusting net profit of the year for any non-cash items and changes in working capital, and identifying investing and financing cash flows for the reporting period.

7.2. ALTERNATIVE PERFORMANCE MEASURES

Alternative performance measures (non-GAAP) are used in the financial communication of the Group since management believes that they are widely used by certain investors, securities analysts and other interested parties as supplemental measure of performance and liquidity. The alternative performance measures may not be comparable to similarly titled measures of other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our operating results, our performance or our liquidity under IFRS.

7.2.1. Non-recurring income and expenses

Income and expenses classified under the heading "non-recurring income and expenses" are those items that are considered by management not to relate to transactions, projects and adjustments to the value of assets and liabilities taking place in the ordinary course of activities of the Company. Non-recurring income and expenses are presented separately, due to their size or nature, so as to allow users of the consolidated financial statements of the Company to get a better understanding of the normalized performance of the Company. Non-recurring income and expenses relate to:

- acquisition-related expenses;
- changes to the measurement of contingent considerations in the context of business combinations;
- changes to the Group structure, business restructuring costs, including costs related to the liquidation of subsidiaries and the closure, opening or relocations of factories;
- impairment of assets and major litigations.

Non-recurring income and expenses of the Group for the years ended December 31 are composed of the following items presented in the consolidated income statement and can be reconciled in note 7.24:

- income/(expenses) related to changes to Group structure; and
- income/(expenses) related to impairments and major litigations.

7.2.2. EBITDA and Adjusted EBITDA

EBITDA is defined as earnings before net finance cost, income taxes, depreciations and amortizations. Adjusted EBITDA is defined as EBITDA excluding non-recurring income and expenses.

EBITDA and Adjusted EBITDA reconciliation of the Group for the years ended December 31 are as follows:

	Full Year	
in € million	2021	2020
Operating profit/(loss)	**(0.2)**	**110.9**
Depreciation and amortization	87.7	86.8
EBITDA	**87.5**	**197.7**
Non-recurring income and expenses	84.7	37.9
Adjusted EBITDA	**172.2**	**235.6**

7.2.3. Net financial debt/LTM Adjusted EBITDA ratio (Leverage)

Net financial debt is calculated by adding short-term and long-term debt and deducting cash and cash equivalents.

LTM adjusted EBITDA is defined as EBITDA plus non-recurring income and expenses for the last twelve months (LTM).

Net financial debt/LTM Adjusted EBITDA ratio of the Group for the years ended December 31 are presented in note 7.3 'Capital Management'.

7.2.4. Free Cash Flow

Free Cash flow is defined as net cash generated from operating activities (as presented in the consolidated cash flow statement, i.e. including income taxes paid) less capital expenditures (Capex, defined as purchases of property, plant and equipment and intangible assets), less repayment of lease liabilities and including cash (used in)/from disposal.

Free Cash Flow of the Group for the years ended December 31 is as follows:

in € million	Full Year 2021	Full Year 2020
Operating profit/(loss)	**(0.2)**	**110.9**
Depreciation and amortization	87.7	86.8
EBITDA	**87.5**	**197.7**
Non-cash items and items relating to investing and financing activities	54.0	4.1
Change in working capital		
Inventories	(39.2)	(29.9)
Trade and other receivables and prepaid expenses	(1.4)	(0.8)
Trade and other payables and accrued expenses	56.4	51.5
Employee benefit liabilities	(6.4)	1.2
Cash from operating activities before taxes	**150.9**	**223.8**
Income taxes paid	(20.6)	(33.3)
Net cash generated from operating activities	**130.3**	**190.5**
Capex	(56.5)	(105.6)
Cash (used in)/from on disposal	1.9	0.6
Repayment of lease liabilities	(22.7)	(26.0)
Free Cash Flow	**52.9**	**59.5**

7.2.5. Adjusted Basic Earnings and Adjusted Basic Earnings per Share

Adjusted Basic Earnings (or Adjusted Profit) are defined as profit for the period plus non-recurring income and expenses and tax effect on non-recurring income and expenses, attributable to the owners of the parent. Adjusted Basic Earnings per share are defined as Adjusted Basic Earnings divided by the weighted average number of ordinary shares.

Adjusted Basic Earnings per Share for the years ended December 31 are presented in note 7.16 'Earnings per share'.

7.2.6. Working Capital

The components of our working capital are inventories, trade receivables and prepaid expenses and other receivables plus trade payables and accrued expenses and other payables.

in € million	December 31, 2021	December 31, 2020
Inventories	358.7	319.1
Trade receivables	269.8	286.3
Prepaid expenses and other receivables	69.2	57.0
Non-current receivables	3.5	6.9
Trade payables	(532.6)	(476.9)
Accrued expenses and other payables	(39.0)	(40.9)
Total Net Working Capital	**129.6**	**151.5**

7.2.7. Alternative Performance Measures included in the Press releases and other Regulated information

Like-for-Like (LFL) revenue

Like-for-like revenue is defined as revenue at constant currency excluding change in scope of consolidation or M&A.

Adjusted EBITDA margin

Adjusted EBITDA margin is adjusted EBITDA divided by revenue.

7.3. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide benefits for shareholders.

The Group monitors capital on the basis of the net debt position and its leverage. The Group's net debt position is calculated by adding all short and long-term interest-bearing debts and by deducting the available short-term liquidity.

The leverage is computed as the net debt divided by the LTM adjusted EBITDA (i.e. EBITDA plus non-recurring income and expenses for the last twelve months (LTM)).

The net debt and leverage of the Group for the years ended December 31 are as follows:

in € million	December 31, 2021	December 31, 2020
Non-current interest-bearing debts	885.2	911.4
Current interest-bearing debts	87.0	366.3
Cash and cash equivalents	(246.7)	(430.1)
Total net debt position	**725.5**	**847.6**
LTM Adjusted EBITDA	172.2	235.6
Net financial debt/LTM Adjusted EBITDA ratio	**4.2**	**3.6**

The Group is subject to covenants, which are further disclosed in note 7.17.

7.4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The amounts presented in the consolidated financial statements involve the use of estimates and assumptions about the future. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual amounts may differ from these estimates. The estimates and assumptions that could have an impact on the consolidated financial statements are discussed below.

7.4.1. Liquidity situation

The consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities during the normal course of business. The 2021 consolidated results of the Group present a negative result, while the consolidated statement of financial position includes positive retained earnings.

Management has prepared detailed budgets and cash flow forecasts for the next years, which reflect the strategy of the Group. Management acknowledges that uncertainty remains in these cash flow forecasts, but the Company is confident that, taking into account its available cash, cash equivalents, facilities available to the Company as committed facilities, it has sufficient liquidity to meet its present and future obligations and cover working capital needs.

The Group complied with all requirements of the loan covenants on its available credit facilities throughout the reporting period. Furthermore, as a support for the implementation of the strategic review communicated in December 2021, the leverage covenant is temporarily (till June 30, 2023) replaced by a liquidity covenant providing the company sufficient headroom.

7.4.2. Income taxes

The Group has tax losses and other tax incentives usable to offset future taxable profits, mainly in Belgium, Brazil, France and Spain amounting to €628.0 million at December 31, 2021 (€557.3 million at December 31, 2020).

The European Commission challenged Belgium's excess profit ruling (EPR) system, characterizing this system as illegal state aid. Ontex, through its Belgian subsidiary Ontex BV, had an EPR covering the years 2011-2015. Ontex has lodged an appeal against this EC decision. The General Court has handed down its judgment on February 14, 2019 in the joint case of Belgium vs Commission and Magnetrol International vs Commission. The General Court has annulled the Commission's Decision for the reason that the Commission erroneously considered that the excess profit exemption system constituted an aid scheme. The European Commission has appealed the decision of the General Court to the European Court of Justice and in September 2021 the Court decided that the proceedings regarding the EPR decision must be re-opened before the EU General Court. We await the outcome.

Furthermore, the European Commission opened individual investigations in September 2019 into each of the individual EPRs including that of Ontex, as it believes that each EPR grants illegal state aid, even if the EPR system does not. The formal investigation into the Ontex EPR continues and it is unclear when a final decision can be expected. Ontex will have the right to appeal against any decision that concludes the Ontex EPR grants illegal state aid. Any such appeal will take some time to be heard.

Ontex had fully taken into account the impact of the Commission's appeal that the EPR system is illegal state aid being successful, and the Commission concluding that the Ontex EPR grants illegal state aid in its tax position. Since the outcome of both challenges is not yet final, Ontex will not release the relevant provisions at this stage.

The Group has only recognized deferred tax assets on €121.0 million of tax losses and other tax incentives out of the €628.0 million mentioned above. The measurement of these deferred tax assets depends on a number of judgmental assumptions regarding the future probable taxable profits of different Group subsidiaries in different jurisdictions. These estimates are made prudently to the extent of the best current knowledge.

The Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex multinational environment, it assesses whether certain uncertain tax provisions should be recognized in its consolidated financial statements (based on the requirements of IFRIC 23).

7.4.3. Business combinations

For business combinations, the Group must make assumptions and estimates to determine the purchase price allocation of the business being acquired. To do so, the Group must determine the acquisition-date fair value of the identifiable assets acquired and liabilities assumed. These assumptions and estimates have an impact on the asset and liability amounts recorded in the Consolidated Statement of Financial Position on the acquisition date. In addition, the estimated useful lives of the acquired property, plant and equipment, the identification of other intangible assets and the determination of the indefinite or finite useful lives of other intangible assets acquired requires significant judgments and will have an impact on the Group's profit or loss.

7.4.4. Impairment

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 7.1.4 "Goodwill". The outcome of these goodwill impairment tests in 2021 resulted in an impairment loss for the CGU "South-America" (2020: nil).

The impairment recognized on the CGU "South-America" was first allocated to the goodwill (€66.1 million), and then to other non-current assets, composed of:

- Intangible assets for €7.6 million;
- Property, plant and equipment for €18.4 million; and
- Right-of-use assets for €4.0 million.

For more detailed information, see note 7.9.

The Group identifies the following cash-generating units:

- Europe
- MEAA (Middle East, Africa & Asia)
- North- and Central-America
- South America

The recoverable amounts of cash-generating units ('CGUs') have been determined based on value-in-use calculations. These calculations require the use of estimates and assumptions, including macroeconomic conditions, demand and competition in the markets where we operate, product offerings, product mix and pricing, raw materials availability and cost, direct and indirect expenses, operating margins, growth rates, capital expenditure and working capital, etc. as reflected in Ontex' financial budgets and strategic plans, as well as discount rates. For more details on the impairment test performed, we refer to note 7.9 'Goodwill and intangible assets'. The discount rates used are summarized here below:

in %	Full Year 2021	2020
Pre-tax discount rate		
Europe	6.8%	5.7%
North- & Central-America	7.5%	N/A
Middle East, Africa & Asia	12.8%	11.2%
South-America	16.4%	N/A
Americas	N/A	7.4%
Healthcare	N/A	5.3%

As a result of the impairment recognized on the CGU "South-America", no goodwill is allocated anymore to this CGU.

A sensitivity analysis indicates that the recoverable amount of Europe, Middle East Africa & Asia (MEAA) and North- & Central-America would be equal to their carrying amount if the pre-tax discount rates of the CGUs were 9.5%, 16.6% and 11.6%, respectively and all other variables kept constant.

As indicated in note 7.9, cash flows beyond the four-year period are extrapolated using an estimated growth rate of 1.0% for Europe, 3.0% for MEAA and 3.6% for North- & Central-America. These same percentages are used as perpetual growth rates.

The growth rates have been determined by management but do not exceed the current market expectations in which the three CGUs are currently operating. Should the growth rate for any of the CGUs decrease by 40%, no impairment would need to be recognized.

Should the estimated operating margins decrease by 20%, no impairment would be recognized.

Future cash flows are estimates that are likely to be revised in future periods as underlying assumptions change. Key assumptions in supporting the value of goodwill include long-term interest rates and other market data. Should the assumptions vary adversely in the future, the value in use of goodwill may reduce below their carrying amounts. Based on current valuations, headroom appears to be sufficient to absorb a normal variation in the underlying assumptions.

7.4.5. Expected useful lives

The expected useful lives of the property, plant and equipment and intangible assets must be estimated. The determination of the useful lives of the assets is based on management's judgment and it is reviewed at least at each financial year-end, pursuant to IAS 16 and IAS 38.

7.4.6. Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. All derivative financial instruments are, in accordance with IFRS 7, level 2. This means valuation methods are used for which all inputs that have a significant effect on the recorded fair value are observable in the market, either directly or indirectly.

7.4.7. Employee benefits

The carrying amount of the Group's employee benefit obligations is determined on an actuarial basis using certain assumptions. One particularly sensitive assumption used for determining the net cost of the benefits granted is the discount rate. Any change to this assumption will affect the carrying amount of those obligations.

The discount rate depends on the duration of the benefit, i.e. the average duration of the engagements, weighted with the present value of the costs linked to those engagements. According to IAS 19, the discount rate should correspond to the rate of high-quality corporate bonds of similar term to the benefits valued and in the same currency.

7.4.8. Revenue recognition

For the accrual for volume discounts (to customers and from suppliers) important judgements are made on the impact of commercial decisions that will influence the final discount to be received or to be granted.

7.5. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

7.5.1. Overview of financial instruments

The table below summarizes all financial instruments by category in accordance with IFRS 9 and discloses the fair values of each instrument and the fair value hierarchy:

	December 31, 2021			
in € million	**Designated in hedge relationship**	**At amortized cost**	**Fair value**	**Fair value level**
Non-current receivables		3.5	3.5	Level 2
Trade receivables		269.8	269.8	Level 2
Other receivables		69.2	69.2	Level 2
Derivative financial assets	5.3		5.3	
Forward foreign exchange contracts	*4.1*		*4.1*	Level 2
Commodity hedging contracts	*1.2*		*1.2*	Level 2
Cash and cash equivalents		246.7	246.7	Level 2
Total Financial Assets	**5.3**	**589.3**	**594.6**	
Interest-bearing debts - non-current		885.2	870.9	
Senior Notes		*572.1*	*554.2*	Level 1
Syndicated Term Loan A > 1 year		*216.3*	*220.0*	Level 2
Lease & other liabilities		*96.7*	*96.7*	Level 2
Derivative financial liabilities	4.1		4.1	
Interest rate swap	*1.8*		*1.8*	Level 2
Forward foreign exchange contracts	*2.3*		*2.3*	Level 2
Other payables - non-current		0.2	0.2	Level 2
Interest-bearing debts - current		87.0	87.0	
Accrued interests - Other		*10.4*	*10.4*	Level 2
Total return swap		*31.2*	*31.2*	Level 2
Lease & other liabilities		*45.4*	*45.4*	Level 2
Trade payables		532.6	532.6	Level 2
Other payables - current		39.0	39.0	Level 2
Total Financial Liabilities	**4.1**	**1,544.0**	**1,533.8**	

	December 31, 2020			
in € million	**Designated in hedge relationship**	**At amortized cost**	**Fair value**	**Fair value level**
Non-current receivables		6.9	6.9	Level 2
Trade receivables		286.3	286.3	Level 2
Other receivables		57.0	57.0	Level 2
Derivative financial assets	18.7		18.7	
Cross-currency interest rate swaps	*15.0*		*15.0*	Level 2
Forward foreign exchange contracts	*1.0*		*1.0*	Level 2
Commodity hedging contracts	*2.7*		*2.7*	Level 2
Cash and cash equivalents		430.1	430.1	Level 2
Total Financial Assets	**18.7**	**780.4**	**799.1**	
Interest-bearing debts - non-current		911.4	917.2	
Syndicated Term Loan A > 1 year		*594.2*	*600.0*	Level 2
Term Loan > 1 year		*150.0*	*150.0*	Level 2
Lease & other liabilities		*167.2*	*167.2*	Level 2
Derivative financial liabilities	14.0		14.0	
Interest rate swap	*7.1*		*7.1*	Level 2
Forward foreign exchange contracts	*6.9*		*6.9*	Level 2
Other payables - non-current		0.5	0.5	
Interest-bearing debts - current		366.3	366.3	
Revolver credit loan		*300.0*	*300.0*	Level 2
Accrued interests - Other		*1.6*	*1.6*	Level 2
Total return swap		*31.2*	*31.2*	Level 2
Lease & other liabilities		*33.5*	*33.5*	Level 2
Trade payables		476.9	476.9	Level 2
Other payables - current		40.9	40.9	Level 2
Total Financial Liabilities	**14.0**	**1,796.1**	**1,815.9**	

In the context of the Group's financial risk management, the Group uses derivative instruments to cover specific risks, such as foreign currency exposure, interest rate exposure and commodity price exposure. The following table presents an overview of the derivative instruments outstanding at reporting date:

	Fair value		Nominal amounts	
in € million	**December 31, 2021**	**December 31, 2020**	**December 31, 2021**	**December 31, 2020**
Derivative financial assets	**5.3**	**18.7**	**165.5**	**134.2**
Cross-Currency Interest rate swap	-	*15.0*	4.0	*47.0*
Forward foreign exchange contracts	*4.1*	*1.0*	145.2	*60.3*
Commodity hedging contracts	*1.2*	*2.7*	16.3	*26.9*
Derivative financial liabilities	**4.1**	**14.0**	**283.5**	**734.7**
Interest rate swap	*1.8*	*7.1*	150.0	*510.0*
Forward foreign exchange contracts	*2.3*	*6.9*	133.5	*224.7*

The derivative instruments presented in the tables above are all designated in a cash flow hedge relationship (see below in notes 7.5.3 to 7.5.5).

The fair value of a derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is exceeding 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months.

The fair value of the derivatives is based on level 2 inputs as defined under IFRS 7.27, meaning inputs that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

The above table provides an analysis of financial instruments grouped into Levels 1 to 3 based on the degree to which the fair value (recognized on the statement of financial position or disclosed in the notes) is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values of financial assets and financial liabilities are based on mathematical models that use market observable data and are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes).
- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.
- The fair values of other financial assets and financial liabilities (excluding those described above) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.
- Level 3 liabilities: the amount has been determined based on contractual agreements.

The Group has derivative financial instruments which are subject to offsetting, enforceable master netting arrangements and similar agreements. No offsetting needed to be done per December 31, 2021 (nor 2020).

The counterparties of the outstanding derivative instruments have an A-credit rating.

7.5.2. Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and commodity price risk), credit risk and liquidity risk.

There have been no changes in the risk management department since last year-end or in any risk management policies.

7.5.3. Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the British pound (GBP), the Turkish lira (TRY), the Polish zloty (PLN), the Australian dollar (AUD), the Mexican peso (MXN), the Brazilian real (BRL) and Russian ruble (RUB) in relation to sales, and the US dollar (USD), the Czech koruna

(CZK), the Mexican peso (MXN) and the Brazilian real (BRL) in relation to procurement. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities. The Group also has exposures to the Turkish lira (TRY), Algerian dinar (DZD), Russian ruble (RUB), Czech koruna (CZK), Australian dollar (AUD) Pakistani rupee (PKR), Mexican peso (MXN) and Brazilian real (BRL) due to their net investments in foreign operations.

The carrying amounts of the Group's main foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
in € million	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
EUR	1,775.9	2,630.6	2,566.0	4,156.8
USD	165.9	129.0	212.5	160.7
PLN	100.9	101.6	61.5	54.0
GBP	98.3	85.4	53.6	52.5
MXN	51.2	45.5	47.0	48.8
BRL	48.7	44.7	43.8	87.5
AUD	38.0	26.3	17.4	14.0
CZK	28.4	26.6	18.6	20.3
RUB	27.1	23.2	4.4	2.3
DZD	21.6	31.4	0.3	0.0

The Group monitors its foreign exchange exposure closely and will enter into hedging transactions if deemed appropriate to minimize exposure throughout the Group to foreign exchange fluctuations. All hedging decisions are subject to approval of the Board of Directors. The strategy regarding FX hedges was maintained.

To manage their foreign exchange risk arising from future commercial transactions, recognized assets and liabilities, the Group uses forward exchange contracts. Foreign exchange risk arises when future commercial transactions, recognized assets and liabilities are denominated in a currency that is not the entity's functional currency. The Group treasury is responsible for optimizing the net position in each foreign currency when possible and appropriate. The Group applies hedge accounting for the hedge related transactions, the impact of the revaluation is recognized in other comprehensive income.

The Group has entered into foreign exchange forward contracts in 2021 maturing at the latest in April 2023 in order to limit volatility in the business resulting from exposures to sales in British pound, Polish zloty, Australian dollar as well as purchases in US dollar and Czech crown during 2022. Based on the hedge strategy, the foreign exchange forward contracts hedge the following forecasted exposures until December 31, 2022: for British pound (GBP) 58.5 million, for Polish zloty (PLN) 247.7 million, for Australian dollar (AUD) 20.1 million, for Czech crown (CZK) 845.3 million, for US dollar (USD) 63.9 million versus EUR, US dollar (USD) 23.9 million versus Mexican peso (MXN), US dollar (USD) 19.3 million versus Brazilian real (BRL), US dollar (USD) 14.4 million versus Czech crown (CZK), for Brazilian real (BRL) 2.0 million and for Mexican peso (MXN) 5.4 million.

The terms of the foreign currency forward contracts have been negotiated to match the terms of the highly probable forecast transactions. The Group applies hedge accounting to the foreign currency forward contracts. At inception, these instruments were designated as cash flow hedges. At the moment the forecast transactions materialize, the foreign exchange forward contracts become fair value hedges. As the terms of the foreign currency forward contracts match the terms of the expected highly probable forecast transactions, there is no hedge ineffectiveness to be recognized in the statement of profit or loss.

For the year ended December 31, 2021, an unrealized loss of €(0.8) million (British pound) has been recognized in other comprehensive income, offset by an unrealized gain of €3.9 million (US dollar mainly).

As of December 31, 2021, the fair value of the derivative financial asset for the foreign exchange contracts amounted to € 4.1 million (2020: €1.0 million) and of the derivative financial liability amounted to €2.3 million (2020: €6.9 million).

The following table sets forth the impact on pre-tax profit and equity for the year of a 10% weakening/strengthening of the Euro against the reported currency with all other variables held constant. The impact is mainly as a result of foreign exchange gains/losses on translation of foreign currency denominated trade receivables and payables and related derivative positions as at the respective balance sheet dates.

	10% weakening of the EUR			10% strengthening of the EUR		
	2021		2020	2021		2020
in € million	Impact on P&L	Impact on Equity		Impact on P&L	Impact on equity	
AUD	(0.2)	(1.3)	(1.5)	0.1	1.1	1.2
GBP	(0.9)	(6.7)	(5.8)	0.7	5.5	4.7
PLN	(0.8)	(5.2)	(5.0)	0.6	4.2	4.1
USD	(5.9)	4.1	4.2	4.8	(3.3)	(3.5)

7.5.4. Interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings issued at fixed rate expose the Group to fair value interest rate risk. These risks are managed centrally by Group treasury taking into account the expectations of the Group with respect to the evolutions of the market rates. The Group has used interest rate swaps and cross-currency interest rate swaps to manage these risks.

Considering that the floating rate borrowings (EURIBOR + margin) are hedged through interest rate swaps, the interest expense recognized in the consolidated income statement is not subject to interest rate volatility and therefore no sensitivity analysis has been prepared.

Sensitivity of the fair value of derivative financial instruments related to loans: at December 31, 2021, if EURIBOR interest rates had been 10bps higher/lower with all other variables held constant, pre-tax other comprehensive income for the year would have been negligible. At December 31, 2020, if EURIBOR interest rates had been 10bps higher/lower with all other variables held constant, pre-tax other comprehensive income for the year would have been respectively €0.1 million lower / €0.1 million higher.

Floating Rate Syndicated Term Loan A of €220 million due 2024 is carrying an interest of EURIBOR 3 month + margin of 2.40%. The notional principal amounts of the outstanding fixed payer interest rate swap and cross-currency interest rate swap contracts at December 31, 2021 are €154.0 million as per below table:

Duration	Fixed interest rate %	Amount in € million
1,5 Month	7.8245%	4.0
3 Year	0.5950%	150.0
Total		**154.0**

7.5.5. Price risk (commodity)

The Group has some exposure to the price of oil because certain of the raw materials used in production are manufactured from oil derivatives. These include glues, polyethylene, propylene and polypropylene.

In relation to our fluff exposure, the Group has arrangements with certain of their fluff suppliers that reduce our exposure to volatility in fluff prices. The Group also decided to continue to hedge a portion of the propylene, polypropylene and polyethylene exposure in 2021.

Sensitivity of the fair value of derivative financial instruments related to commodities: at December 31, 2021 if there would be a shift of the commodity forward curve by 10% increase/decrease with all other variables held constant, pre-tax other comprehensive income for the year would have been respectively €1.7 million higher / €1.7 million lower (2020: impact was €2.5 million higher / €2.5 million lower).

7.5.6. Equity price risk

Following the issuance of options and RSU's as share-based payment arrangements under the different LTIP programs (refer to note 7.28 for details of these programs), the Group is exposed to variations in the Group share price. The Board of Directors of the Group has decided on June 1, 2015 to implement a full hedging program through a total return swap. The purpose of this financial instrument is to effectively hedge the risk that a price increase of the Ontex shares would negatively impact future cash flows related to the share-based payments.

The Group entered into a total return swap ('TRS') agreement with a financial institution to manage its exposure to price volatility related to the shares subject to the stock option, RSU and PSU plans as disclosed in note 7.28. Under the total return swap agreement, the Company will pay interest to the financial institution. At the settlement of the TRS, the Group will receive the underlying shares which will be granted to the beneficiaries of the stock options, RSU's or PSU's upon exercise. As such, the Group hedges the risk that the share price would increase when shares have to be issued upon exercise by the beneficiaries of their Options/RSU's/PSU's. The shares bought in this context are recognized in deduction of Group equity at the strike price at the moment of entering into the TRS. As the Group takes physical delivery of the shares upon settlement of the TRS (no net settlement), the TRS does not meet the scope of financial instruments in accordance with IAS 32 / IFRS 9. As such, the TRS should not be remeasured at fair value at each closing date.

As a result, the Group recognized treasury shares for an amount of €36.3 million (represented by 1,381,140 shares) and a related financial liability for an amount of €31.2 million (see note 7.15 and 7.17). These amounts do not require to be remeasured during the contract time and consequently, all volatility has been eliminated.

7.5.7. Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to corporate customers, including outstanding receivables and committed transactions. The Group assesses the credit quality of the customer, taking into account its financial position, past experience and other factors based on which individual risk limits are set in accordance with the limits set by business managers. Historical default rates have been below 1% for 2021 and 2020. Trade receivables are spread over different countries and counterparties and there is no large concentration with one or a few counterparties.

We refer to note 7.13 for the aging of the receivables and the doubtful receivables.

The maximum exposure to credit risk at the reporting date is the carrying amount as presented in the table above in the note 7.5.1.

7.5.8. Liquidity risk

Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (note 7.17 Interest-bearing debts) at all times so that the Group does not breach borrowing limits or covenants (where applicable) on its borrowing facilities.

The table below analyzes the Group's financial liabilities (including interest payments) into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

in € million	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At December 31, 2021				
Interest-bearing debts	(28.5)	(31.2)	(857.0)	(0.0)
Lease liabilities	(26.0)	(22.1)	(42.2)	(40.4)
Trade payables	(532.6)	-	-	-
Total non-derivative financial liabilities	**(587.2)**	**(53.3)**	**(899.1)**	**(40.4)**
Interest rate swaps	(0.9)	(0.9)	(0.9)	-
Forward foreign exchange contracts	(267.4)	(11.3)	-	-
Total derivative financial liabilities	**(268.3)**	**(12.2)**	**(0.9)**	**-**
At December 31, 2020				
Interest-bearing debts	(24.1)	(964.1)	(160.6)	(0.1)
Lease liabilities	(26.3)	(16.5)	(51.1)	(55.3)
Trade payables	(476.9)	-	-	-
Total non-derivative financial liabilities	**(527.3)**	**(980.6)**	**(211.7)**	**(55.4)**
Interest rate swaps	(3.5)	(2.6)	(1.8)	-
Forward foreign exchange contracts	(268.6)	(17.1)	-	-
Total derivative financial liabilities	**(272.1)**	**(19.7)**	**(1.8)**	**-**

7.6. OPERATING SEGMENTS

According to IFRS 8, reportable operating segments are identified based on the "management approach". This approach stipulates external segment reporting based on the Group's internal organizational and management structure and on internal financial reporting to the chief operating decision maker. The Group's activities are in one segment, "Hygienic Disposable Products". There are no other significant classes of business, either singularly or in aggregate. The chief operating decision maker, the Board of Directors, reviews the operating results and operating plans, and make resource allocation decisions on a company-wide basis. Therefore, the Group operates as one segment. Enterprise-wide disclosures about product sales, geographic areas and revenue from major customers are presented below:

7.6.1. Information by Division

In June 2021, the Group announced a streamlined organization, with a delayered structure to gain agility and speed of decision-making. As such, two geographic divisions have been created, Europe and AMEAA, which are effective and will report revenues in this new structure as from 2021. Historical sales data below has been restated.

The Company's commercial activities are organized in two divisions in order to seize opportunities arising from our geographic expansion with the establishment of new growth platforms in the Americas and sub-Saharan Africa, improve execution and bolster focus on our competitive differentiators:

- Europe, which is predominantly focused on partner brands
- Americas, Middle East, Africa & Asia (AMEAA), which is predominantly focused on local brands

	Full Year	
in € million	**2021**	**2020**
Europe	1,228.0	1,302.2
AMEAA	798.4	784.6
Total revenue	**2,026.4**	**2,086.8**

7.6.2. Information by product group

The key product categories are:

- Baby Care products, principally baby diapers, baby pants and, to a lesser extent, wet wipes;
- Adult Care products, such as adult pants, adult diapers, incontinence towels and bed protection;
- Feminine Care products, such as sanitary towels, panty liners and tampons.

	Full Year	
in € million	**2021**	**2020**
Baby Care	1,099.3	1,162.5
Adult Care	691.8	679.5
Feminine Care	195.5	212.2
Other	39.9	32.6
Total revenue	**2,026.4**	**2,086.8**

7.6.3. Information by geographic area

The organizational structure of the Group and its system of internal information indicates that the main source of geographical risks results from the location of its customers (destination of its sales) and not the physical location of its assets (origin of its sales). The location of Group's customers is accordingly the geographical segmentation criterion and is defined as below:

- Western Europe
- Eastern Europe
- Americas
- Rest of the World

	Full Year	
in € million	**2021**	**2020**
Western Europe	903.5	983.0
Americas	625.4	592.9
Eastern Europe	251.6	250.7
ROW	245.8	260.2
Total revenue	**2,026.4**	**2,086.8**

The sales in the country of domicile of Ontex Group NV (Belgium) represent less than 3% of Ontex Group NV Revenue. Sales to countries in our top four markets are presented in the table below. The sales in all other individual countries represent less than 10% of the Group's revenue.

	Full Year	
in € million	**2021**	**2020**
Mexico	257.3	245.7
United Kingdom	221.3	232.4
Italy	179.9	193.2
France	167.2	178.2
Other countries	1,200.7	1,237.3
Total revenue	**2,026.4**	**2,086.8**

The following table presents an overview of the non-current assets (property, plant and equipment (PP&E), right to use assets and intangible assets) located in the main countries. The non-current assets in all other individual countries represent less than 10% of the Group's total non-current assets (excluding financial instruments, deferred tax assets and goodwill). Goodwill is not included in the below table as this not monitored on a country-basis, but at the divisional level.

in € million	December 31, 2021	December 31, 2020
Mexico	145.3	145.7
Belgium	139.0	156.9
Germany	83.7	111.1
Brazil	45.9	74.2
Other countries	307.4	308.3
Total	**721.3**	**796.2**

7.6.4. Revenue from major customers

The Group does not have a single significant customer. In 2021 the largest customer represents 6.2% (2020:5.9%) of the revenue. The 10 largest customers represent 31.1% of 2021 revenue (2020: 33.0%).

7.7. LIST OF CONSOLIDATED COMPANIES

Name	Country	Percentage of interest held by the group 2021	2020	Registered office	Company legal number
Can Hygiene SPA	Algeria	100.0%	100.0%	Haouch Sbaat Nord, Zone Industrielle de Rouiba, Voie H, lot 83B, 16012 Rouiba, Alger, Algeria	04/B/0965101
Ontex Australia Pty Ltd	Australia	100.0%	100.0%	Suite 10, 27 Mayneview Street, Milton, QLD 4064, Australia	ABN 59 130 076 283
Ontex Manufacturing Pty Ltd (former Ontex Australia Pty Ltd)	Australia	100.0%	100.0%	Wonderland Drive 5, Eastern Creek, NSW, 2766, Australia	ABN 16 145 822 528
Eutima BV	Belgium	100.0%	100.0%	Korte Moeie 53, 9900 Eeklo, Belgium	0415.412.891
Ontema BV	Belgium	100.0%	100.0%	Genthof 12, 9255 Buggenhout, Belgium	0453.081.852
Ontex BV	Belgium	100.0%	100.0%	Genthof 5, 9255 Buggenhout, Belgium	0419.457.296
Active Industria De Cosméticos S.A.	Brazil	100.0%	100.0%	Rua Contorno Oeste 1/16 Quadra 01, Lote 01/16, Modulo 2 Senador Canedo, Goiania, Brazil	CNPJ 22.010816/0001-39
Falcon Distribuidora Armazenamento E Transporte S.A.	Brazil	100.0%	100.0%	Rua Iza Costa 1.104 Quadra: Area Lote Modulo 2, Fazenda Retio, Goiania, Brazil	CNPJ 23.191.831/0001-93
Chicolastic Chile, S.A.	Chile	100.0%	100.0%	Calle la Concepcion 81, D 603 P 06, Providencia, Santiagà, Region Metropolitan,8320000 Santiago de Chile, Chile	96886530-7
Ontex Hygienic Disposables (Yangzhou) Co.TD	China	100.0%	100.0%	Hangji industrial park, Hanjiang Dictrict, N°1 Zhaizhuang Road, 225111 Yangzhou, China	321000400010102
Ontex Hygienic Disposables (Shanghai) LTD	China	100.0%	100.0%	4F, Building G, No. 69, Hongqiao Green Valley Community, Yuhong Road, Minhang District, Shanghai	91310000MA1GCW6L6Y
Valor Brands Centroamerica, S.A.	Costa Rica	100.0%	100.0%	100 norte del Centro Comercial Tres Rios a mano izquierda-Apartamento Tinoco #02, City Cartago, 10106 San José, Costa Rica	3-101-645685
Ontex CZ Sro	Czech Republic	100.0%	100.0%	Vesecko 491, 51101 Turnov, Czech Republic	44564422
Ontex Hygienic Disposables PLC	Ethiopia	100.0%	100.0%	Tracon Tower Building Addis Ababa, Subcity Arada, Werada 02, Kebele 01, House n° : 30/97, Ethiopia	EIA-PC/01/005318/08
Hygiëne Medica SAS	France	100.0%	100.0%	30 Rue Hubble Parc Européen de la Haute Borne, 59262 Sainghin-en-Mélantois, France	401 439 872
Ontex France SAS	France	100.0%	100.0%	586 Boulevard Albert Camus, 69400 Villefranche-sur-Saône, France	338 081 102
Ontex Santé France SAS	France	100.0%	100.0%	Quai du rivage 62119 Dourges, France	502 601 297
Moltex Baby-Hygiene GmbH	Germany	100.0%	100.0%	Robert-Bosch-Straße 8, 56727 Mayen, Germany	HRB 5260
Ontex Engineering GmbH	Germany	100.0%	100.0%	Robert-Bosch-Straße 8, 56727 Mayen, Germany	HRA 21335
Ontex Healthcare Deutschland GmbH	Germany	100.0%	100.0%	Hansaring 6, Lotte 49504, Germany	HRB 9669
Ontex Hygiënartikel Deutschland GmbH	Germany	100.0%	100.0%	Fabrikstrasse 30, 02692 Grosspostwitz, Germany	HRB 3865
Ontex Inko Deutschland GmbH	Germany	100.0%	100.0%	Robert-Bosch-Straße 8, 56727 Mayen, Germany	HRB 20630

Name	Country	Percentage of interest held by the group 2021	2020	Registered office	Company legal number
Ontex Care GmbH	Germany	100.0%	100.0%	Robert-Bosch-Straße 8, 56727 Mayen, Germany	HRB 21024
Ontex Mayen GmbH	Germany	100.0%	100.0%	Robert-Bosch-Straße 8, 56727 Mayen, Germany	HRB 11699
Ontex Vertrieb Gmbh & Co. KG	Germany	100.0%	100.0%	Robert-Bosch-Straße 8, 56727 Mayen, Germany	HRB 4983
WS Windel-Shop GmbH	Germany	100.0%	100.0%	Robert-Bosch-Straße 8, 56727 Mayen, Germany	HRB 2793
Ontex Manufacturing Italy S.r.l.	Italy	100.0%	100.0%	Localita Cucullo, Zona Industriale, 66026 Ortona (Chieti), Italy	02456370697
Serenity Holdco S.r.l.	Italy	100.0%	100.0%	Localita Cucullo, Zona Industriale, 66026 Ortona (Chieti), Italy	CH-178769
Serenity Spa	Italy	100.0%	100.0%	Localita Cucullo, Zona Industriale, 66026 Ortona (Chieti), Italy	CH-99632
Ontex Central Asia LLP 1)	Kazakhstan	0.0%	100.0%	Almaty, Bostandyk district, Al-Farabi Avenue 5, Business Center Nurly Tau, Blok 1A, Suite 502, Kazakstan	600400642455
Comercializadora Interncional de comercio Mabe, S.A de C.V 2)	Mexico	0.0%	100.0%	Av San Pablo, Xochimehuacan 7213, Colinia La Loma, Puebla Mexico CP 72230	CIPQ210141Z8
Compania Interoceanica de productos Higionicos, S.A de C.V 2)	Mexico	0.0%	100.0%	Retorno 2 Esteban De Antunano no.8, Col. Parque Industrial CD. Textil De Puebla, 74160 Puebla, Mexico	IPH060317DPA
Corporativo de administracion con calidad, S.A de C.V 2)	Mexico	0.0%	100.0%	Av San Pablo, Xochimehuacan 7213, Colinia La Loma, Puebla Mexico CP 72230	CAC920612HE9
Grupe P.I Mabe, S.A de C.V	Mexico	100.0%	100.0%	Ibsen N40 4to piso, col. Polanco Delegacion Miguel Hidalgo CP 11560 Mexico	GPI950824N64
Inmobiliaria Kiko S.A de C.V 2)	Mexico	0.0%	100.0%	Calle 27 Norte 7402, Zona Industrial Anexa a la loma, Puebla Mexico CP 72230	IKI811207FG8
P.I Mabe International, S de R.L de C.V 2)	Mexico	0.0%	100.0%	Av San Pablo, Xochimehuacan 7213, Colinia La Loma, Puebla Mexico CP 72230	PIM021028HL6
Productos Internacionales Mabe, S.A de C.V	Mexico	100.0%	100.0%	Calle Norte 12, Ciudad Industrial 105,22505 Tijuana, Mexico	PIM810710R32
Promotora Internacional de comercio Mabe, S.A de C.V 2)	Mexico	0.0%	100.0%	Av San Pablo, Xochimehuacan 7213, Colinia La Loma, Puebla Mexico CP 72230	PIC001031K61
Servicios Administrativos E. inmobiliaria Gima S.C 2)	Mexico	0.0%	100.0%	Calle 27 Norte 7402, Zona Industrial Anexa a la loma, Puebla Mexico CP 72230	SAI880817KP4
Transportes P.I Mabe, S.A de C.V 2)	Mexico	0.0%	100.0%	Av San Pablo, Xochimehuacan 7213, Colinia La Loma, Puebla Mexico CP 72230	TPM960709QS1
Ontex Hygiene Sarlau	Morocco	100.0%	100.0%	Quartier Al Hank Boulevard De La Corniche, 6ième étage, immeuble Yacht A/B Anfa - Casablanca, Morocco	240709
Ontex Pakistan ltd	Pakistan	100.0%	100.0%	Office No 705, 7th Floor, Park Avenue, Main Sharh-e-Faisal, Karachi Sindh 7400, Pakistan	0076658
Ontex Polska sp. z.o.o.	Poland	100.0%	100.0%	ul. Przedsiebiorcrow 6, 97-500 Radomsko, Poland	0000010044
Ontex Romania Srl	Romania	100.0%	100.0%	Bucharest, 46 Grigore Cobalcescu Street, 2nd floor, 1st District	R 7682053
Ontex RU LLC	Russia	100.0%	100.0%	Zemlyanoy Val Street 9, 10564 Moscow, Russia	1055008702649

Name	Country	Percentage of interest held by the group 2021	2020	Registered office	Company legal number
Ontex ES Holdco SL	Spain	100.0%	100.0%	Poligono Industrial Nicomedes Garcia, C/Fresno s/n, sector C, 40140 Valverde del Majano, Segovia, Spain	B85082832
Ontex ID SAU	Spain	100.0%	100.0%	Poligono Industrial Nicomedes Garcia, C/Fresno s/n, sector C, 40140 Valverde del Majano, Segovia, Spain	NIFA-60617875
Ontex Peninsular SAU	Spain	100.0%	100.0%	Poligono Industrial Nicomedes Garcia, C/Fresno s/n, sector C, 40140 Valverde del Majano, Segovia, Spain	A40103855
Valor Brands Europe, S.L	Spain	100.0%	100.0%	Torviscal 12, 45007 Toledo, Spain	B2837-1540
Ontex Hygienic Spain, S.L.	Spain	100.0%	100.0%	Poligono Industrial Nicomedes Garcia, C/Fresno s/n, sector C, 40140 Valverde del Majano, Segovia, Spain	M635-328
Ontex Tuketim. Urn. San. ve Tic. AS	Turkey	100.0%	100.0%	Tekstilkent Cad. Koza Plaza B Blok Kat:31 No:116-117 Esenler, Istanbul	137334
Ontex Ukraine LLC	Ukraine	100.0%	100.0%	Building 7(C), 13 M. Pymonenko Street, 04050 Kyiv, Ukraine,	37728333
Ontex Health Care UK Ltd.	United Kingdom	100.0%	100.0%	Kettering Parkway, Kettering Venture Park, Kettering, Northants, NN156XR, United Kingdom	02274216
Ontex Retail UK Ltd.	United Kingdom	100.0%	100.0%	Unit 5 (1st Floor), Grovelands Business Centre, Boundary Way, Hemel Hempstead, Hertfordshire, HP2 7TE, United Kingdom	1613466
Ontex US Holdco, LLC	USA	100.0%	100.0%	1201 North Market Street, 19801 Wilmington, New Castle county, Delaware, United States of America	N/A
Valor Brands, LLC	USA	100.0%	100.0%	960 North Point Parkway, Suite 100, Alpharetta, GA 30005, USA	06-1661367
Ontex Operations USA, LCC	USA	100.0%	100.0%	1900 Barnes Street, Reidsville, NC 27320	85-0811594

1) Ontex Central Asia LLP has been liquidated in the course of 2021.

2) During 2021, these entities have been merged into Productos Internacionales Mabe, S.A de C.V.

The voting rights equal the percentage of interest held.

The most significant Group subsidiaries are Ontex BV, Ontex Mayen GmbH, Ontex Hygiënartikel Deutschland GmbH, Ontex Santé France SAS, Ontex CZ Sro, Ontex Tuketim AS, Serenity Spa, Ontex Manufacturing Italy S.r.l., Productos Internacionales Mabe.

For the financial year ending December 31, 2021 the following companies make use of the exemptions from preparation and/or publishing requirements in accordance with the German regulations of § 264 III and § 264b HGB

- Ontex Vertrieb GmbH, Mayen;
- Ontex Mayen GmbH, Mayen;
- Moltex Baby-Hygiene GmbH, Mayen;
- WS Windel-Shop, Mayen;
- Ontex Healthcare Deutschland GmbH, Lotte;
- Ontex Hygieneartikel Deutschland GmbH, Großpostwitz; and
- Ontex Engineering GmbH & Co. KG, Mayen.

7.8. BUSINESS COMBINATIONS

7.8.1. Acquisitions 2020

On July 1, 2020, Ontex completed the acquisition of the feminine hygiene business of Albaad in Rockingham County, consisting of the production lines and related equipment as well as a license for all corresponding inventory and intellectual property. The production lines produce feminine hygiene pads. Ontex will benefit from an experienced team of new colleagues who join the Ontex Group and operate the acquired equipment. This acquisition strengthens Ontex' growing feminine hygiene business in North America, providing more robust supply capabilities and options for current and prospective customers.

Upon closing, the Group has paid a consideration of USD 8.4 million (i.e. €7.5 million) in cash.

The net assets acquired amount to €7.5 million. As a consequence, the Group recognized no goodwill in the statement of financial position.

The following table summarizes the fair value of the consideration paid and the amounts of the assets acquired and liabilities assumed at the acquisition date:

in € million	As recognized per December 31, 2020
Recognized amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	-
Property, plant and equipment	4.5
Right-of-use assets	0.3
Inventories	3.1
Interest-bearing debts	(0.3)
Total identifiable net assets acquired	**7.5**
Allocation to Goodwill	-
Total consideration	**7.5**

The Group incurred acquisition-related costs for an amount of €0.5 million and presented as part of “Non-recurring income and expenses” (see note 7.24. below).

7.8.2. Reconciliation with cash flow statement

The consolidated cash flow statement presents the following relating to the acquisition of subsidiaries within the investing activities:

	Full year	
in € million	2021	2020
Consideration paid in cash for the acquisition of Ontex Operations (net of cash acquired)	-	7.5
Proceeds related to acquisition of subsidiary	(80.0)	-
Payment for acquisition of subsidiary, net of cash acquired	**(80.0)**	**7.5**

In 2021, this line item in the consolidated cash flow statement includes the arbitration settlement for an amount of €80 million (BRL 500 million) received from Hypera on October 1, 2021. This payment settles certain claims relating to the acquisition of the Brazilian personal hygiene business of Hypera by Ontex. The Company acquired the Brazilian personal hygiene business from Hypera in March 2017 for an enterprise value of BRL 1 billion. The amount has been recognized immediately as income in the consolidated income statement under “Income and expenses related to changes to Group structure” (see note 7.24.1)

7.9. GOODWILL AND INTANGIBLE ASSETS

in € million	Goodwill	Brands	Capitalized Development	IT implementation costs	Other intangibles	Total
Period ended December 31, 2021						
Opening carrying amount	1,106.7	23.2	3.7	20.8	5.8	**1,160.2**
Additions	0.0	0.0	0.1	7.0	5.2	**12.3**
Transfers	0.0	0.0	1.1	0.1	(0.9)	**0.3**
Disposals	0.0	0.0	(0.1)	(0.0)	0.0	**(0.1)**
Amortization expense	0.0	(1.6)	(1.0)	(8.2)	(0.0)	**(10.8)**
Impairment	(66.1)	(7.1)	(2.1)	(0.5)	(0.5)	**(76.3)**
Exchange differences	(0.7)	0.8	0.0	(0.0)	0.0	**0.1**
Closing carrying amount	**1,039.9**	**15.4**	**1.7**	**19.2**	**9.5**	**1,085.7**
At December 31, 2021						
Cost	1,106.8	31.2	5.5	62.2	23.7	**1,229.3**
Accumulated amortization and impairment	(66.9)	(15.8)	(3.8)	(43.0)	(14.1)	**(143.6)**
Carrying amount	**1,039.9**	**15.4**	**1.7**	**19.2**	**9.5**	**1,085.7**

in € million	Goodwill	Brands	Capitalized Development	IT implementation costs	Other intangibles	Total
Period ended December 31, 2020						
Opening carrying amount	1,171.2	30.7	1.4	17.5	2.5	**1,223.2**
Additions	0.0	0.0	0.5	10.9	3.1	**14.5**
Transfers	0.0	0.0	2.4	0.5	0.5	**3.4**
Disposals	(0.0)	0.0	0.0	(0.0)	(0.1)	**(0.2)**
Amortization expense	0.0	(1.6)	(0.5)	(7.7)	(0.0)	**(9.9)**
Impairment	0.0	0.0	(0.1)	0.0	0.0	**(0.1)**
Exchange differences	(64.4)	(5.8)	0.0	(0.4)	(0.0)	**(70.6)**
Closing carrying amount	**1,106.7**	**23.2**	**3.7**	**20.8**	**5.8**	**1,160.2**
At December 31, 2020						
Cost	1,106.7	30.0	4.5	57.5	19.9	**1,218.5**
Accumulated amortization and impairment	0.0	(6.7)	(0.8)	(36.7)	(14.1)	**(58.3)**
Carrying amount	**1,106.7**	**23.2**	**3.7**	**20.8**	**5.8**	**1,160.2**

Capitalized IT implementation costs represent internally developed and externally purchased software for own use.

Brands represent the capitalization of some of the brands acquired through the acquisitions of Grupo Mabe and Ontex Brazil.

The impairment recognized in 2021 result mainly from the goodwill impairment test carried out on the Brazilian business, see below for more information.

The amortization expense is included in the captions of the consolidated income statement as follows:

in € million	2021	2020
Cost of sales	0.1	0.1
Distribution expenses	0.0	0.1
Sales and marketing expenses	2.2	2.2
General and administrative expenses	8.5	7.6
Total amortization expense	**10.8**	**9.9**

The Group incurred €10.8 million of research and development expenses in 2021 (2020: €9.9 million) that has been recorded under the caption 'General and administrative expenses'.

No intangible assets have been pledged in the context of financial liabilities.

Goodwill

History

At the end of 2010, Ontex was acquired from Candover by Goldman Sachs Capital Partners and TPG Capital, both holding 50% of the shares of the new Ontex top-holding company. At the time of the acquisition, the net assets of Ontex were negative which resulted in the generation of goodwill of €841.5 million.

In 2013, Ontex acquired Serenity, a company operating in the adult incontinence market in Italy. This acquisition resulted tin the recognition of a goodwill of €18.6 million.

In February 2016, Ontex acquired Grupo Mabe, a leading Mexican manufacturer of disposable personal hygiene products. This major acquisition resulted in the recognition of a goodwill for €236.1 million, which was denominated in Mexican peso and US dollars.

In March 2017, Ontex has completed the acquisition of the personal hygiene business of Hypermarcas (renamed to "Ontex Brazil"). This resulted in a goodwill of €128.3 million, which was denominated in Brazilian real.

Goodwill impairment

Considering the renewed strategy of the Group to refocus its activities on Europe and North-America, the Group has reviewed the cash-generating units and has determined the following cash-generating units for the purpose of the goodwill impairment testing:

- Europe
- North- & Central-America
- MEAA (Middle East, Africa & Asia)
- South-America

Annual impairment reviews are performed during the fourth quarter of each year for all CGUs, except if there would be factors indicating a risk for impairment loss. These reviews compare the carrying value of each CGU with the recoverable amount of the

CGU's assets calculated using a discounted cash flow model. If the recoverable amount is less than the carrying value of the CGU, an impairment loss is recognized immediately in the income statement.

Due to the current economic performance of the Group and the modified strategy, the Group has performed an impairment test on more frequent basis during 2021. The test at year-end 2021 has revealed that an impairment loss should be recognized on the CGU "South-America".

The judgments and estimates considered in the context of the impairment tests are disclosed in note 7.4.4.

Goodwill allocated to the CGUs as at December 31 was as follows:

in € million	2021	2020
Europe	818.0	818.0
North- & Central-America	205.1	194.5
MEAA	16.7	27.9
South-America	0.0	66.2
Goodwill allocated to the CGU's	**1,039.9**	**1,106.7**

As mentioned above, the test carried out at year-end 2021 resulted in the recognition of an impairment loss of €96.1 million on the CGU "South-America" reflecting the revised strategy and forecasts. The impairment loss of €96.1 million has been allocated to:

- Goodwill for €66.1 million;
- Intangible assets for €7.6 million;
- Property, plant and equipment for €18.4 million; and
- Right-of-use assets for €4.0 million.

The recoverable amount of a CGU is determined by means of value-in-use calculations. These calculations are based on pre-tax cash flow projections (prepared in euros) using key parameters from the consolidated financial budget approved by Ontex' Board of Directors and the Group's Strategic Plan through 2025. Cash flows beyond the four-year period are extrapolated using an estimated growth rate of 1.0% for Europe, 3.0% for MEAA and 3.6% for North- & Central-America. The growth rate does not exceed the current market expectations in which the three CGUs are currently operating.

The key assumptions for the value-in-use calculations used to determine the recoverable amount are those regarding the discount rates, estimated changes to selling prices, product offerings, direct costs, operating margins and terminal growth rates.

The discount rate is a measure based on industry average weighted cost of capital and risk-free rates weighted for the different regions in which the CGU's are operating.

Changes in selling practices and direct costs are based on past practices and expectations of future changes in the market. The calculation uses cash flow projections based on key parameters from the consolidated financial budget approved by the Board of Directors, the Group's Strategic Plan through 2025, and pre-tax discount rates for each CGU as described in note 7.4.4 Impairment based on current market assessments of the time value of money and the risks specific to the Group.

The development of the financial budget and Strategic Plan relies on a number of assumptions, including:

- The market growth, the evolution of the Group's market share, competitive landscape and innovation trends in the different markets as well as strategic initiatives.
- The product mix.
- The expected evolution of various direct and indirect expenses.
- The estimated future capital expenditure.

The assumptions were derived mainly from:

- Available historic data.
- External market research.
- Internal market expectations based on trend reports, etc.

The key assumptions used are reviewed and updated on a yearly basis by the Group's management. Taking into account the excess of the cash generating unit's recoverable amount over its carrying amount, and based on sensitivity testing performed, management is of the opinion that any reasonably possible changes in key assumptions on which the recoverable amount is based would not cause the carrying amount to exceed the recoverable amount at December 31, 2021.

The Group has performed a sensitivity analysis by reducing the risk-adjusted cash flow projections and by increasing the pre-tax discount rate as disclosed in note 7.4.4 Impairment.

7.10. PROPERTY, PLANT AND EQUIPMENT

in € million	Land, land improvements and buildings	Plant, machinery and equipment	Furniture and vehicles	Other tangible assets	Assets under construction and advance payments	Total
Period ended December 31, 2021						
Opening carrying amount	**123.1**	**407.3**	**1.3**	**1.0**	**83.2**	**615.9**
Additions	0.9	18.1	0.0	0.0	25.3	**44.2**
Transfers	1.0	54.1	0.0	0.1	(55.6)	**(0.3)**
Disposals	(1.2)	(0.3)	0.0	(0.1)	(0.1)	**(1.7)**
Depreciation expense	(5.7)	(46.0)	(0.4)	(0.5)	0.0	**(52.5)**
Impairment	(1.7)	(39.5)	(0.0)	0.0	(0.2)	**(41.4)**
Capital grants received	0.0	(0.2)	0.0	0.0	0.0	**(0.2)**
Exchange differences	2.3	3.2	(0.0)	0.0	1.0	**6.5**
Transfer from/to assets held for sale	2.7	0.2	(0.0)	0.0	0.0	**2.9**
Closing carrying amount	**121.4**	**396.9**	**1.0**	**0.6**	**53.6**	**573.4**
At December 31, 2021						
Cost	171.7	743.6	3.5	3.9	53.6	**976.3**
Accumulated depreciation and impairment	(50.3)	(346.7)	(2.5)	(3.4)	0.0	**(402.9)**
Carrying amount	**121.4**	**396.9**	**1.0**	**0.6**	**53.6**	**573.4**

in € million	Land, land improvements and buildings	Plant, machinery and equipment	Furniture and vehicles	Other tangible assets	Assets under construction and advance payments	Total
Period ended December 31, 2020						
Opening carrying amount	**137.0**	**418.3**	**1.8**	**1.3**	**64.2**	**622.7**
Additions	2.0	27.7	0.1	0.1	62.6	**92.4**
Transfers	2.9	40.7	0.1	0.0	(38.1)	**5.5**
Disposals	(0.1)	(0.5)	(0.0)	(0.1)	(0.1)	**(0.8)**
Depreciation expense	(6.2)	(44.0)	(0.4)	(0.3)	0.0	**(50.8)**
Impairment	(0.9)	(2.1)	0.0	0.0	(0.3)	**(3.3)**
Capital grants received	0.0	(0.2)	0.0	0.0	0.0	**(0.2)**
Exchange differences	(11.5)	(37.1)	(0.2)	(0.1)	(5.1)	**(54.0)**
Acquired through business combination	0.0	4.5	0.0	0.0	0.0	**4.5**
Closing carrying amount	**123.1**	**407.3**	**1.3**	**1.0**	**83.2**	**615.9**
At December 31, 2020						
Cost	167.6	687.5	3.6	4.0	83.2	**945.9**
Accumulated depreciation and impairment	(44.5)	(280.2)	(2.3)	(3.0)	0.0	**(330.0)**
Carrying amount	**123.1**	**407.3**	**1.3**	**1.0**	**83.2**	**615.9**

The additions to property, plant and equipment represent mainly investments in capacity extension, investments in innovation, investments to improve the efficiency and IT investments.

Impairment losses for an amount of €18.4 million result from the impairment test performed on our business in Brazil (see note 7.9). Additional impairment losses have been recognized on idle machinery because of the economic downturn in certain of our geographies.

In 2020, the acquisition through business combinations relates to the acquisition of the feminine hygiene business of Albaad in US, consisting of production lines and related equipment (see note 7.8).

The depreciation expense is included in the consolidated income statement as follows:

in € million	2021	2020
Cost of Sales	45.6	44.1
Distribution expenses	2.1	2.3
Sales and marketing expenses	0.5	0.9
General administrative expenses	2.6	3.1
Other operating income	1.7	0.3
Total depreciation expense	**52.5**	**50.8**

No pledges have been set on the items of property, plant and equipment, except for some machinery in the context of local borrowings.

7.11. LEASES

in € million	Land, land improvements and buildings	Plant, machinery and equipment	Furniture and vehicles	Total
Period ended December 31, 2021				
Opening carrying amount	**108.8**	**6.2**	**11.8**	**126.8**
Additions	2.5	0.2	4.5	**7.2**
Depreciation expense	(16.3)	(2.3)	(5.8)	**(24.4)**
Impairment	(5.0)	0.0	0.0	**(5.0)**
Modifications to lease liabilities	(3.5)	(0.1)	0.3	**(3.3)**
Exchange differences	0.9	0.0	(0.3)	**0.7**
Closing carrying amount	**87.4**	**4.0**	**10.5**	**102.0**
At December 31, 2021				
Cost	138.6	11.4	25.5	**175.5**
Accumulated depreciation and impairment	(51.1)	(7.4)	(14.9)	**(73.4)**
Carrying amount	**87.4**	**4.0**	**10.5**	**102.0**

in € million	Land, land improvements and buildings	Plant, machinery and equipment	Furniture and vehicles	Total
Period ended December 31, 2020				
Opening carrying amount	**120.9**	**17.7**	**11.8**	**150.4**
Additions	6.9	0.4	6.6	**14.2**
Transfers	(0.0)	(8.8)	0.0	**(8.8)**
Depreciation expense	(17.1)	(2.9)	(6.0)	**(26.1)**
Modifications to lease liabilities	9.9	1.2	0.3	**11.4**
Exchange differences	(11.8)	(1.7)	(0.8)	**(14.3)**
Acquired through business combination	0.0	0.3	0.0	**0.0**
Closing carrying amount	**108.8**	**6.2**	**11.9**	**126.8**
At December 31, 2020				
Cost	139.0	11.6	22.0	**172.6**
Accumulated depreciation and impairment	(30.2)	(5.4)	(10.2)	**(45.8)**
Carrying amount	**108.8**	**6.2**	**11.8**	**126.8**

The Group leases mainly plants and warehouses (lease terms between 3 and 25 years), machinery (lease terms of 5 years on average) and company cars (lease terms between 4 and 5 years).

Impairment losses for an amount of €5.0 million result mainly from the impairment test performed on our business in Brazil (see note 7.9).

For the lease of land and buildings, the Group is exposed to potential future increases in variable lease payments based on an index, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Extension and termination options are included in a number of property and equipment leases across the Group. These are used to maximize operational flexibility in terms of managing the assets used in the group's operations. As at December 31, 2021, potential future cash outflows of €21.4 million (undiscounted) have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated) (2020: €21.4 million).

The consolidated income statement presents the following amounts relating to leases:

in € million	2021	2020
Cost of Sales	8.1	8.5
Distribution expenses	9.7	10.3
Sales and marketing expenses	2.5	2.6
General administrative expenses	4.1	4.7
Total depreciation expense	**24.4**	**26.1**
Interest expense	5.1	5.8
Expense relating to short-term leases	14.0	12.0
Expense relating to leases of low-value assets	0.4	1.5
Expense relating to variable lease payments	3.3	3.0

The lease liabilities are detailed in note 7.17.

7.12. INVENTORIES

Inventories can be split as follows:

in € million	December 31, 2021	December 31, 2020
Raw materials	178.8	152.3
Work in progress	1.6	1.0
Finished goods	188.6	177.1
Other	7.5	5.6
Write-down on inventories	(17.8)	(16.9)
Inventories	**358.7**	**319.1**

The Group mainly uses fluff, super-absorbers and non-woven fabrics. Other raw materials used by the Group for its production include polyethylene, adhesives and tapes as basic raw materials. The finished products are baby diapers, baby pants, towels, tampons, panty liners, incontinence products and trade goods.

The cost of inventories recognized as an expense and included under 'Cost of sales' amounted to €1,510.4 million in 2021 (€1,477.7 million in 2020).

7.13. TRADE RECEIVABLES, PREPAID EXPENSES AND OTHER RECEIVABLES

The current trade and other receivables are detailed below:

in € million	December 31, 2021	December 31, 2020
Trade receivables	278.4	294.5
Less: allowance for impairment of trade receivables	(8.6)	(8.2)
Trade receivables - net	**269.8**	**286.3**
Prepayments	8.7	6.3
Other amounts receivable	60.5	50.8
Prepaid expenses and other receivables	**69.2**	**57.0**
Trade and other receivables - Current	**339.0**	**343.4**

Other amounts receivable include recoverable VAT for an amount of €55.9 million for 2021 (2020: €45.4 million). The fair value of the current receivables approximates their carrying amounts.

The aging of the trade receivables (net) at December 31 is as follows:

in € million	December 31, 2021	December 31, 2020
Not due	223.6	246.3
0 to 30 days	21.2	22.0
31 to 60 days	8.0	6.1
61 to 90 days	6.7	3.8
Over 90 days	10.2	8.1
Total	**269.8**	**286.3**

The Group doesn't apply systematically external credit rating. An impairment analysis of trade receivables is done based on expected losses, next to individual assessments, but there are no significant impairments.

The carrying amount of the Group's trade receivables (net) are denominated in the following currencies:

in € million	December 31, 2021	December 31, 2020
EUR	70.6	80.2
PLN	35.0	38.7
BRL	33.1	31.1
USD	32.9	28.4
MXN	27.2	30.6
GBP	19.2	21.8
RUB	13.4	10.2
DZD	10.1	10.4
TRY	9.2	12.6
Other	18.9	22.3
Total	**269.8**	**286.3**

During the year, the payment terms for the receivables have neither deteriorated nor been renegotiated that affect the overall payment terms. The maximum credit risk exposure at the end of the reporting period is the carrying value of each caption of receivables mentioned above. The Group does not hold any collateral as security.

Movements on the Group allowance for impairment of trade receivables are as follows:

in € million	December 31, 2021	December 31, 2020
Opening Balance	8.2	7.3
Allowance for receivable impairment	1.3	3.7
Receivables written off during the year as uncollectible	(0.1)	(1.0)
Unused amounts reversed	(0.9)	(0.9)
Foreign exchange differences	0.1	(0.9)
At December 31	**8.6**	**8.2**

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due.

The creation and the release of the allowance for impaired receivables have been included in 'Sales and marketing expense' in the income statement.

The Group has a long term, standing non-recourse syndicate factoring agreement with BNP Paribas Fortis Factor and KBC Commercial Finance. The Agreement provides us with a maximum credit facility of up to €200 million and up to 95% of the amount of the approved outstanding receivables on all debtors that we transfer to the Factor. The remaining 5% of the relevant receivables is paid by the Factor to us upon receipt of payment from the relevant debtor, upon which also the remaining balance of the receivable is derecognized. Financing per debtor is capped at 10% of the aggregate amount of all approved outstanding receivables transferred to the Factor. Any financing within the credit limit is non-recourse to us. This factoring agreement is an off-balance sheet arrangement.

Next to the above-mentioned Group factoring agreement a number of local non-recourse agreements are in place at local level. Bilateral factoring agreements are in place for Serenity (Italian subsidiary) with Ifitalia, Banca Sistema and BFF. Ontex Russia has agreements with Rosbank, Ontex Brazil with Banco Safra and Banco Industrial and Ontex Mexico with HSBC.

As at December 31, 2021, €146.6 million of financing was obtained through the factoring programs (€143.2 million in 2020), this is in addition to €16.2 million of financing which was obtained through the use of supply chain financing programs offered by our customers. The late payment risk related to the factoring has been assessed as immaterial at closing 2021 and 2020.

In accordance with IFRS 9 *Financial instruments*, all non-recourse trade receivables, included in these factoring programs, are derecognized for the non-continuing involvement part.

7.14. CASH AND CASH EQUIVALENTS

The net cash position as presented in the consolidated statement of cash flows is as follows:

in € million	December 31, 2021	December 31, 2020
Short-term bank deposits (no longer than 3 months)	58.3	176.5
Cash at bank and on hand	188.4	253.6
Total	**246.7**	**430.1**

The carrying amount of the cash and cash equivalents is a reasonable approximation of their fair value.

The credit quality of the banks and financial institutions the Group is working with is mentioned in the following table:

in € million	December 31, 2021	December 31, 2020
AA	1.7	1.1
A	209.5	370.4
BBB	5.3	25.4
BB	17.9	13.2
B	7.5	11.6
No credit rating	4.8	8.4
Total	**246.7**	**430.1**

7.15. SHARE CAPITAL

The capital of €1,208.0 million is represented by 82,347,218 (authorized) shares, of which 1,381,140 treasury shares (2020: 1,445,113 treasury shares). As such, the ordinary shares held by third parties amount to 80,966,078 shares (2020: 80,902,105).

The issued capital is fully paid and consists of ordinary shares without par value.

7.16. EARNINGS PER SHARE

In accordance with IAS 33, the basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. The number of shares used for 2021 was 80,950,106, which is the weighted average number of shares for 2021 (2020: 80,851,227 shares).

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent (after adjusting for the effects of all dilutive potential ordinary shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

In case of Ontex Group NV, no effects of dilution affect the net profit attributable to ordinary equity holders. The table below reflects the income and share data used in the basic and diluted earnings per share computations:

	Full Year	
in € million	**2021**	**2020**
Basic earnings		
Profit from continuing operations attributable to owners of the parent	(61.9)	54.0
Adjustment dilution	-	-
Profit from continuing operations attributable to owners of the parent, after dilution effect	(61.9)	54.0
Adjusted Basic Earnings		
Profit from continuing operations attributable to owners of the parent	(61.9)	54.0
Non-recurring income and expenses	84.7	37.9
Tax correction	(17.6)	(10.2)
Adjusted Basic Earnings	**5.3**	**81.6**
Adjustment dilution	-	-
Adjusted Earnings, after dilution effect	**5.3**	**81.6**

	Full Year	
Number of Shares	**2021**	**2020**
Weighted average number of ordinary shares outstanding during the period	80,950,106	80,851,227
Dilution	230,027	176,074

	Full Year	
Earnings per share (€)	**2021**	**2020**
Basic earnings per share	(0.76)	0.67
Diluted earnings per share	(0.76)	0.67
Adjusted basic earnings per share	0.07	1.01
Adjusted diluted earnings per share	0.06	1.01

A weighted average number of 2,320,425 options were not included in the denominator of the diluted earnings per share as they were out-of-the-money at year-end 2021 (2020: 1,280,472 options).

7.17. INTEREST-BEARING DEBTS

in € million	December 31, 2021	December 31, 2020
Non-current		
Borrowings:	793.1	800.4
Senior Notes	*572.1*	*-*
Syndicated Term Loan A > 1 year	*216.3*	*594.2*
Term Loan > 1 year	*-*	*150.0*
Other borrowings	*4.6*	*56.1*
Lease and other liabilities	92.1	111.0
Lease liabilities	*92.1*	*111.0*
Interest-bearing debts non-current	**885.2**	**911.4**
Current		
Borrowings:	56.4	341.1
Senior revolving Facility B	*-*	*300.0*
Other borrowings	*14.8*	*8.3*
Interests:		
Other borrowings	*10.4*	*1.6*
Total return swap	*31.2*	*31.2*
Lease and other liabilities	30.6	25.2
Lease liabilities	*21.5*	*21.7*
Other financial liabilities	*9.1*	*3.5*
Interest-bearing debts current	**87.0**	**366.3**
Total interest-bearing debts	**972.2**	**1,277.7**

All borrowings are denominated in € as of December 31, 2021, except for local borrowings in Mexico in MXN (€4.8 million equivalent), Pakistan in PKR (€6.2 million equivalent) and export financing in Brazil in BRL (€8.2 million equivalent) (2020: all in €, except for borrowings in Pakistan in PKR (€5.7 million equivalent), Mexico in MXN (€8.7 million equivalent) and Brazil BRL (€49.6 million equivalent)).

On June 23, 2021 the Group refinanced it's syndicated credit facilities agreement (Syndicated Term Loan A) for an amount of €220 million, and a revolving credit facility (Senior Revolving Facility B) in an amount of up to €250 million. In addition, it issued a 5-year High Yield Bond ('Senior Notes') in an amount of €580 million with a coupon of 3.5%. The Syndicated Term Loan A of € 220 million due 2024 is carrying an interest rate of EURIBOR 3 months + margin of 2.40% (subject to the leverage). The Senior Revolving Facility due 2024 is carrying an interest rate of EURIBOR 3 months + margin of 2.10% (subject to the leverage), and was unutilized at closing 2021.

On July 29, 2015, a full hedging program (total return swap) for the share-based payment arrangements (LTIP) was implemented. For more information we refer to note 7.5.6 and 7.28. This program was renewed in 2021. Total return swap remained stable at an amount of €31.2 million (2020: €31.2 million).

The following table reconciles the movements of the financial liabilities to the cash flows arising from financing activities:

December 31, 2021 in € million	Opening carrying amount	Cash flows	Non-cash movements Acquisition	Exchange differences	Reclasses	Other	Closing carrying amount
Non-current interest-bearing debts							
Borrowings	800.4	33.9	-	(0.1)	(48.2)	7.1	793.1
Lease and other liabilities	111.0	(22.7)	7.2	1.3	0.2	(4.9)	92.1
Current interest-bearing debts							
Borrowings	341.1	(341.9)	-	0.2	48.2	8.8	56.4
Lease and other liabilities	25.2	5.4	0.0	0.2	(0.2)	(0.0)	30.6
Total liabilities from financing activities	**1,277.7**	**(325.3)**	**7.2**	**1.7**	**-**	**10.9**	**972.2**
Presented in the statement of cash flows (financing activities) as follows:							
Proceeds from borrowings		799.3					
Repayment of borrowings		(1,124.7)					

December 31, 2020 in € million	Opening carrying amount	Cash flows	Non-cash movements Acquisition	 Exchange differences	 Reclasses	 Other	Closing carrying amount
Non-current interest-bearing debts							
Borrowings	799.2	(0.4)	-	(1.6)	-	3.2	800.4
Lease and other liabilities	120.3	(25.6)	14.0	(11.4)	2.1	11.5	111.0
Current interest-bearing debts							
Borrowings	37.7	303.7	-	(0.7)	0.0	0.4	341.1
Lease and other liabilities	31.9	(2.5)	(0.0)	(2.0)	(2.1)	0.0	25.2
Total liabilities from financing activities	**989.1**	**275.1**	**14.0**	**(15.7)**	**-**	**15.1**	**1,277.7**
Presented in the statement of cash flows (financing activities) as follows:							
Proceeds from borrowings		308.3					
Repayment of borrowings		(33.2)					

7.17.1. Collateral for borrowings

The Group is subject to regular information covenants, and certain financial ratios are monitored. At year-end 2021 and 2020, all covenants were met.

No assets have been pledged in the context of the syndicated term loans. However, certain subsidiaries act as guarantors for these loans. For local borrowings, some machinery are pledged.

7.17.2. Other information

- Following lines of credit have been granted to Productos Internacionales Mabe, S.A de C.V:
  - USD 25.0 million from HSBC, of which nothing has been used;
  - USD 6.0 million from Banamex, of which nothing has been used;
  - MXN 120.0 million from Banregio, of which nothing has been used.
- Following lines of credit have been granted to Ontex Tuketim A.S.:
  - USD 3.4 million and TRY 11.5 million from Isbank Turkey. Over this line of credit in USD, 0.6 million and TRY 0.5 million has been used for letters of guarantees given to customs and local courts.
  - TRY 5.0 million from Akbank Turkey; of which TRY 2.1 million has been used for direct debiting system.
  - TRY 3.9 million and USD 0.5 million from Garanti Turkey; of which nothing has been used.
- Following lines of credit have been granted to Serenity SPA, of which € 20.6 million has been used:
  - €30 million from UniCredit
  - €50 million from UBI
  - €7 million from BNL
- Following lines of credit have been granted to Ontex Manufacturing Australia Pty Ltd, of which nothing has been used:
  - USD 1.4 million from Commonwealth Bank Australia.
- For Ontex BV, a bank guarantee issued by BNL is in place for €2.0 million in favor of the Italian Custom Agency as at December 31, 2021
- Active Industria De Cosmeticos S.A has provided bank guarantees for derivatives operations, with Bradesco (€1.5 million) and BNP (€11.0 million).

7.18. EMPLOYEE BENEFIT LIABILITIES

The Group grants its working and retired personnel post-employment benefits, long-term benefits, and termination benefits. These benefits have been valued in conformity with IAS 19. The related IAS 19 liability recognized in the statement of financial position can be analyzed as follows:

in € million	December 31, 2021	December 31, 2020
Post-employment benefits	20.1	23.9
Long-term benefits	1.9	2.8
Employee benefit liabilities	**22.0**	**26.6**
Short-term employee benefit liabilities	46.2	52.5
Net liability	**68.2**	**79.1**

The calculation of the liability is based on actuarial assumptions that have been determined on the various balance sheet dates. They are based not only on macro-economic factors valid for the dates in question but also on the specific characteristics of the various schemes evaluated. They represent the Group's best estimate for the future. They are periodically reviewed in accordance with the evolution of the markets and available statistics.

Post-employment benefits

Ontex makes payments on a defined contribution basis to both state and private pension arrangements across our operations. In addition, Ontex operates a defined benefit insurance scheme in Belgium and Ontex also has an obligation to make severance payments to employees upon their retirement in France and Turkey.

Ontex also operates several unfunded pension arrangements in respect of our German operations. The German operations do not fund the pension arrangements but reflect pension scheme liabilities in company accounts on an IAS 19 basis. The pension benefits are paid by the relevant company as they fall due.

The Group operates a couple of defined contribution (DC) plans which receive fixed contributions. The Group's legal or constructive obligation for these plans is limited to the contributions. The expense recognized in the current period in relation to these contributions amounts to €5.1 million (see also note 7.22 below; 2020: €4.9 million).

In Belgium, the defined contribution (DC) plans are subject to a minimum guaranteed rate of return by law and are hence treated as defined benefit (DB) plans. In practice, this guarantee is mainly covered by insurance companies. As there is no deficit as per December 31, 2021, no liability has been recognized (2020: nil). The accumulated reserves of these plans are equal to the assets. There are no risks to which the plan exposes the entity, focusing on any unusual, entity-specific or plan-specific risks, and of any significant concentrations of risk.

Reconciliation of the post-employment employee benefit liabilities

in € million	December 31, 2021	December 31, 2020
RECOGNITION OF THE OBLIGATION		
Defined benefit obligation (DBO) at end of period	(33.6)	(36.3)
Fair value of plan assets at end of period	14.7	13.5
Funded status	**(18.9)**	**(22.8)**
Net (liability)/asset in statement of financial position	**(18.9)**	**(22.8)**
Defined benefit cost		
Current service cost	(3.2)	(2.7)
Past service cost	0.7	0.6
Service cost recognized in Income Statement	**(2.6)**	**(2.1)**
Interest expense on DBO	(0.4)	(0.3)
Interest income on plan assets	0.1	0.1
Net interest cost	**(0.2)**	**(0.3)**
Pension expense	**(2.8)**	**(2.3)**

in € million	December 31, 2021	December 31, 2020
RECONCILIATION OF THE OBLIGATION		
Defined benefit obligation (DBO) at beginning of year	**(36.3)**	**(35.1)**
Other significant events (transfers)	(0.0)	(0.4)
Current service cost	(3.2)	(2.7)
Past service cost	0.7	0.6
Service cost	**(2.6)**	**(2.1)**
Interest expense on DBO	(0.4)	(0.3)
Participant contributions	(0.1)	(0.1)
Administrative expenses included in the DBO	0.1	0.1
Taxes included in the DBO	0.2	0.2
Benefit payments from plan	0.2	0.1
Benefit payments from employer	0.5	0.5
Effect of changes in financial assumptions	2.5	0.6
Effect of experience adjustments	2.0	(0.2)
Effect of changes in foreign exchange rates	0.3	0.4
Defined benefit obligation (DBO) at end of year	**(33.6)**	**(36.3)**

in € million	December 31, 2021	December 31, 2020
RECONCILIATION OF PLAN ASSETS AT FAIR VALUE		
Fair value of plan assets at beginning of year	**13.5**	**11.7**
Interest income	0.1	0.1
Employer contribution	1.9	1.9
Plan participants' contributions	0.1	0.1
Other significant events (transfers)	-	0.4
Benefit payments from plan	(0.2)	(0.1)
Benefit payments from employer	(0.5)	(0.5)
Administrative expenses included in the DBO	(0.1)	(0.1)
Taxes paid from plan assets	(0.2)	(0.2)
Return on plan assets (excluding interest income)	0.1	0.3
Fair value of plan assets at end of year	**14.7**	**13.5**

in € million	December 31, 2021	December 31, 2020
RECONCILIATION OF NET (LIABILITY)/ASSET IN STATEMENT OF FINANCIAL POSITION		
Net (liability)/asset at beginning of year	**(22.8)**	**(23.4)**
Defined benefit cost included in the income statement	(2.6)	(2.1)
Net interest expense	(0.2)	(0.3)
Total remeasurements included in OCI	4.6	0.6
Employer contributions	1.9	1.9
Effect of changes in foreign exchange rates	0.3	0.4
Net (liability)/asset at end of year	**(18.9)**	**(22.8)**
Unfunded versus Funded		
Part of DBO from plans that are wholly unfunded	(18.9)	(22.8)

The plan assets consist of insurance contracts.

Expected contributions to post-employment benefit plans for the year ending December 31, 2022 are €1.5 million.

Significant actuarial assumptions

As at December 31, 2021	Belgium	Germany	France	COUNTRY Italy	Turkey	Mexico	Pakistan
Discount rate	1.20%	0,70% / 0,90% / 1,00%	0.95%	0.90%	19.60%	7.76%	10.75%
Expected Interest Income	1.20%	0,70% / 0,90% / 1,00%	0.95%	0.90%	19.60%	7.76%	10.75%
Salary increase rate (on top of inflation)	3.25%	0.00% / N/A / N/A	2.50%	N/A	13.00%	4.54%	10.75%
Rate of inflation	1.75%	1,75% / 0,00% / 1,75%	1.75%	1.50%	13.00%	4.00%	8.98%
Mortality table	MR FR with age correction minus 5 years	Heubeck 2018 G	INSEE 2016/2018	IPS55	C.S.O. 1980	EMSSA09	State Life Insurance Corporation (SLIC) 2001-2005
Turnover table/rates	None	Only Jubilee: 10% of employees 60 years old and younger	Client's table by category	5% p.a. flat up to age 50 and 2% p.a. flat from age 51 to retirement including an allowance for advance payments	Company specific	Based on company experience	3.7%
Disability table/rates	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Weighted average durations	16.2	8.9	12.6	10.4	7.3	13.8	53.7

As at December 31, 2020	Belgium	Germany	France	COUNTRY Italy	Turkey	Mexico	Pakistan
Discount rate	0.70%	0,00% / 0,40% / 0,30%	0.65%	0.30%	15.00%	6.89%	10.25%
Expected Interest Income	0.70%	0,00% / 0,40% / 0,30%	0.65%	0.30%	15.00%	6.89%	10.25%
Salary increase rate (on top of inflation)	3.25%	0.00% / N/A / N/A	2.50%	N/A	9.00%	4.54%	10.25%
Rate of inflation	1.75%	1,75% / 0,00% / 1,75%	1.75%	1.00%	9.00%	4.00%	10.25%
Mortality table	MR FR with age correction minus 3years	Heubeck 2018 G	INSEE 2013/2015 par sexe	IPS55	C.S.O. 1980	EMSSA09	State Life Insurance Corporation (SLIC) 2001-2005
Turnover table/rates	None	N/A	Table 1	5% flat	company specific	Based on company experience	N/A
Disability table/rates	N/A	Heubeck 2018 G	N/A	N/A	N/A	N/A	N/A
Weighted average durations	18.7	9.5	13.6	11.1	7.7	14.2	53.7

There are no unusual entity-specific or plan-specific risks to which the plan exposes the entity, neither are there any significant concentrations of risk.

The sensitivity analyses below have been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

	As at December 31, 2021						
in € million	Belgium	Germany	France	Italy	Turkey	Mexico	Pakistan
Discount rate - 0,25bp	(21.3)	(9.4)	(1.9)	(1.9)	(0.9)	(1.5)	(0.5)
Discount rate + 0.25bp	19.7	9.0	1.8	1.8	0.8	1.4	0.4
Salary increase - 0.25bp	(20.3)	(9.2)	(1.8)	(1.8)	(0.8)	(1.5)	(0.4)
Salary increase + 0.25bp	20.6	9.2	1.9	1.8	0.9	1.5	0.5

	As at December 31, 2020						
in € million	Belgium	Germany	France	Italy	Turkey	Mexico	Pakistan
Discount rate - 0,25bp	(22.3)	(10.8)	(2.4)	(2.0)	(1.3)	(1.3)	(0.5)
Discount rate + 0.25bp	20.4	10.3	2.3	1.9	1.2	1.2	0.4
Salary increase - 0.25bp	(21.1)	(10.6)	(2.3)	(1.9)	(1.2)	(1.2)	(0.4)
Salary increase + 0.25bp	21.6	10.6	2.4	1.9	1.3	1.2	0.5

Post-Employment Benefits by Country

	As at December 31, 2021						
in € million	Belgium	Germany	France	Italy	Turkey	Mexico	Pakistan
RECOGNITION OF THE OBLIGATION							
Defined benefit obligation (DBO) at end of period	(19.2)	(8.3)	(1.8)	(1.8)	(0.6)	(1.5)	(0.4)
Fair value of plan assets at end of period	14.4	-	-	-	-	-	0.4
Funded status	(4.9)	(8.3)	(1.8)	(1.8)	(0.6)	(1.5)	(0.0)
Net (liability)/asset in statement of financial position	**(4.9)**	**(8.3)**	**(1.8)**	**(1.8)**	**(0.6)**	**(1.5)**	**(0.0)**

	As at December 31, 2020						
in € million	Belgium	Germany	France	Italy	Turkey	Mexico	Pakistan
RECOGNITION OF THE OBLIGATION							
Defined benefit obligation (DBO) at end of period	(20.3)	(9.3)	(2.4)	(1.9)	(0.8)	(1.2)	(0.4)
Fair value of plan assets at end of period	13.1	-	-	-	-	-	0.4
Funded status	(7.2)	(9.3)	(2.4)	(1.9)	(0.8)	(1.2)	(0.0)
Net (liability)/asset in statement of financial position	**(7.2)**	**(9.3)**	**(2.4)**	**(1.9)**	**(0.8)**	**(1.2)**	**(0.0)**

7.19. DEFERRED TAXES AND CURRENT TAXES

Deferred taxes

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset and when the deferred taxes relate to the same fiscal authority. The deferred tax assets and liabilities are attributable to the following items:

in € million	December 31, 2021 Deferred tax asset	December 31, 2021 Deferred tax liability	December 31, 2020 Deferred tax asset	December 31, 2020 Deferred tax liability
Intangible assets	-	(0.9)	-	(3.4)
Property, plant and equipment	-	(40.7)	-	(50.1)
Leases	22.7	(19.8)	31.8	(26.2)
Inventories	1.7	-	3.4	-
Financial instruments	35.8	(36.6)	-	(3.7)
Employee benefits	5.8	-	7.2	-
Accrued expenses and other payables	8.9	-	6.5	-
Others	2.5	-	2.9	-
Tax losses	162.6	-	140.4	-
Tax credit	9.4	-	10.7	-
Deferred tax assets & liabilities - Gross	**249.3**	**(98.0)**	**202.9**	**(83.4)**
Net deferred tax assets not recognized	(154.1)	-	(123.8)	-
Offsetting	(75.5)	75.5	(54.2)	54.3
Deferred tax assets & liabilities - Net	**19.7**	**(22.5)**	**24.9**	**(29.2)**

Deferred tax assets are recognized on temporary differences, tax attributes carried forward and tax losses carried forward to the extent that the realization of the related tax benefit through the future taxable profits is probable.

The tax losses carried forward mainly relate to France, Belgium, Brazil and Spain. In Belgium and France, deferred tax assets have been recognized on tax losses carried forward considering the expected taxable profits in the foreseeable future.

The Group did not recognize deferred tax assets for an amount of €154.1 million (2020: €123.8 million) on the tax losses carried forward. Tax losses can in principle be carried forward indefinitely.

The Group did not recognize deferred taxes associated with investments in subsidiaries. There is currently no policy or detailed plan in relation to the payment of dividends within the Group.

Current taxes

in € million	December 31, 2021	December 31, 2020
Current tax assets	15.0	18.8
Current tax liabilities	(31.8)	(31.8)

The current tax assets mainly relate to the excess of pre-payments made compared to the actual income tax payable for the year. The current tax liabilities include an amount of €19.5 million actual corporate taxes payable (2020: €17.8 million) and €12.3 million of provision for uncertain taxes (2020: €14.0 million).

7.20. CURRENT AND NON-CURRENT LIABILITIES

Other current liabilities (excluding provisions, income tax liabilities, financial liabilities and liabilities directly associated with non-current assets intended for sale) can be presented as follows:

in € million	December 31, 2021	December 31, 2020
Accrued expenses and other payables	39.0	40.9
Current accrued expenses and other payables	**39.0**	**40.9**
Trade payables	532.6	476.9
Employee benefit liabilities	46.2	52.5
Total current liabilities	**617.8**	**570.4**

7.21. PROVISIONS

in € million	Legal claims	Restructuring	Other	Total
Opening Balance	**7.3**	**9.7**	**1.5**	**18.5**
Additional provisions	2.6	23.8	0.1	26.6
Unused amounts reversed	(0.1)	(0.9)	(0.2)	(1.2)
Used during the year	(1.8)	(8.2)	(1.2)	(11.2)
Exchange differences	(0.1)	0.0	0.0	(0.0)
As at December 31, 2021	**7.9**	**24.5**	**0.2**	**32.6**
Of which current	*7.9*	*24.5*	*0.2*	*32.6*

The restructuring provisions recognized in 2021 relate to the current on-going strategic review of the geographical footprint, launched at year-end 2020 and confirmed in 2021. The provision mainly includes termination benefits. The additional provisions have been recognized in ‘Non-recurring income and expenses’, under the heading ‘Restructuring’.

The Group recognizes a provision for certain legal claims filed against the Group by customers, suppliers or former employees.

On September 2, 2014, Ontex received a notification that the Spanish Competition Authorities (CNMC) opened infringement proceedings against 15 companies in the sector (including three subsidiaries of the Company: Ontex Es Holdco, S.A., Ontex Peninsular, S.A.U. and Ontex ID, S.A.U.) with respect to alleged conduct of fixing prices and other commercial conditions in the Spanish market for heavy adult incontinence products. On May 26, 2016, following the investigation, the CNMC issued its decision. In its decision it has found eight companies, including Ontex' Spanish subsidiaries guilty of being part of a cartel. For its involvement from 1999 to 2014, Ontex was fined €5.2 million. Ontex initiated an appeal against the decision and this appeal is pending. As per December 31, 2016, a provision amounting to € 5.2 million has been accounted for. The provision has not been adjusted per December 31, 2021.

7.22. EMPLOYEE BENEFIT EXPENSES

	Full Year	
in € million	2021	2020
Wages and salaries	(239.6)	(257.5)
Social security costs	(57.1)	(61.6)
Defined benefit plans - Service cost	(2.6)	(2.1)
Defined contribution costs	(5.1)	(4.9)
Other employee benefit expenses	(48.9)	(60.5)
Total employee benefit expenses	**(353.2)**	**(386.6)**

In Full-Time Equivalents	2021	2020
Average number of total employees	**9,344**	**9,927**
Of which:		
- workers	6,012	5,953
- employees	3,253	3,896
- management	78	79

7.23. OTHER OPERATING INCOME/(EXPENSES), NET

	Full Year	
in € million	2021	2020
Gain on sale of assets	0.3	0.8
Foreign exchange differences on operating activities	(1.8)	(5.6)
Losses on sale of assets	(0.0)	(0.7)
Other income/(expenses)	(4.2)	(3.0)
Total other operating income/(expense), net	**(5.6)**	**(8.5)**

“Other income/(expenses)” consists mainly of depreciation expenses on idle equipment and machinery and pension expenses.

7.24. NON-RECURRING INCOME AND EXPENSES

	Full Year	
in € million	**2021**	**2020**
Business restructuring	(35.4)	(19.9)
Acquisition and disposal of businesses	74.0	(5.5)
Income and expenses related to changes to Group structure	**38.6**	**(25.4)**
Impairment of assets	(121.3)	(3.5)
Litigation and legal claims	(3.3)	(8.5)
Other	1.3	(0.4)
Income and expenses related to impairments and major litigations	**(123.3)**	**(12.4)**
Total non-recurring income and expenses	**(84.7)**	**(37.9)**

Items classified under the heading non-recurring income and expenses are those items that are considered by management not to relate to items in the ordinary course of activities of the Company. The Group has adopted this classification to allow a better understanding of its recurring financial performance.

These items are presented as follows in the consolidated income statement as follows:

- income and expenses related to changes to Group structure; and
- income and expenses related to impairments and major litigations.

7.24.1. Income and expenses related to changes to Group structure

Restructuring

In 2020, the cost relates to the restructuring expenses in the context of the redistribution/re-allocation of production capabilities and the strategic review of the geographical footprint of the Group. As such, the Company decided to downsize some production capacity which has been announced to the relevant stakeholders and incurred costs for a total amount of €26.4 million in 2021 (2020: €7.2 million), of which €23.8 million has been recognized as a restructuring provision during 2021 (2020: €5.0 million).

The Group announced in the fourth quarter of 2020 an in-depth review of the Group's overhead cost structure. The costs incurred in 2021 amount to €9.7 million (2020: €12.7 million).

Acquisition and disposal of businesses

In 2021, this line item includes the arbitration settlement for an amount of €80 million (BRL 500 million) received from Hypera on October 1, 2021. This payment settles certain claims relating to the acquisition of the Brazilian personal hygiene business of Hypera by Ontex. The Company acquired the Brazilian personal hygiene business from Hypera in March 2017 for an enterprise value of BRL 1 billion.

In 2020, the acquisition-related items included the expenses incurred in the context of the acquisition of the feminine hygiene business of Albaad in Rockingham County (see note 7.8.1; 2020: €0.5 million).

Also, in the context of a strategic review of our operations, the Group reviewed external opportunities on the market to accelerate its progress in its operational development. The costs incurred relate to due diligence expenses (2020: €5.0 million).

7.24.2. Income and expenses related to impairments and major litigations

Impairment of assets

In 2021, the impairment losses include mainly the impairment recognized on the business in Brazil as a result of the goodwill impairment test performed (€96.1 million, see note 7.9).

Furthermore, the Group recognized also impairment losses on idle machinery, which was also the case in 2020.

Litigation and claims

The Company incurred specific legal fees in the context of certain on-going or potential litigation matters which are expected to result in a potential benefit for the Company or in the avoidance of potential future expenses.

7.25. EXPENSES BY NATURE

Expenses by nature represent an alternative disclosure for amounts included in the Consolidated Income Statement. There are classified under 'Cost of sales', 'Distribution expenses', 'Sales and marketing expenses', 'General administrative expenses' and 'Other operating income / expense (net)' in respect of the years ended December 31:

		Full Year	
in € million	**Note**	**2021**	**2020**
Changes in inventories		0.9	0.1
Raw materials and consumables purchased		(1,199.1)	(1,145.0)
Employee benefit expenses	22	(353.2)	(386.6)
Depreciation and amortization	9, 10, 11	(87.7)	(86.8)
Rendered services		(279.4)	(294.7)
Lease expenses	11	(17.7)	(16.5)
Other income / (expenses)	23	(5.6)	(8.5)
Total cost of sales, distribution expenses, sales and marketing expenses, general administrative expenses and other operating income / (expense)		**(1,941.9)**	**(1,938.0)**

7.26. NET FINANCE COST

The various items comprising the net finance cost are as follows:

	Full Year	
in € million	**2021**	**2020**
Interest income on current assets	2.6	1.8
Finance income	**2.6**	**1.8**
Interest expense on group borrowings	(21.7)	(17.9)
Amortization of borrowing expenses	(7.1)	(3.2)
Interest expense on other borrowings and other liabilities	(11.4)	(12.5)
Interest expense	***(40.2)***	***(33.7)***
Banking cost	(1.8)	(2.3)
Factor fee	(1.2)	(0.9)
Losses on derivatives and deports forward contracts	(2.4)	(0.9)
Other	(2.9)	(0.2)
Finance cost	**(48.4)**	**(38.0)**
Finance income as per income statement	2.6	1.8
Finance expense as per income statement	(48.4)	(38.0)
Net exchange differences relating to financing activities	3.2	0.5
Net finance cost as per income statement	**(42.7)**	**(35.7)**

The interest expense on other borrowings and other liabilities includes also the interest expense on lease liabilities as disclosed in note 7.11

7.27. INCOME TAX EXPENSE

The income tax (charged)/credited to the income statement during the year is as follows:

	Full Year	
in € million	**2021**	**2020**
Current tax (expense) / income	(23.9)	(23.1)
Deferred tax (expense) / income	4.9	1.9
Total income tax expense	**(19.0)**	**(21.3)**

The income tax expense can be reconciled as follows:

	Full Year	
in € million	**2021**	**2020**
Profit/(loss) before income tax	**(42.9)**	**75.2**
Income tax expense calculated at domestic tax rates	14.5	(17.5)
Disallowed expenses	(30.6)	(6.3)
Tax-exempt income	35.5	3.0
Write-off of previously recognized deferred tax assets	(14.4)	(4.2)
Current year tax losses not recognized as deferred tax asset	(24.6)	(7.3)
Recognition of previously unrecognized deferred tax assets on losses	-	1.1
Effect of tax credits recognized as deferred tax assets	0.4	2.1
Effect of tax credits not recognized as deferred tax assets	(2.4)	-
Adjustments in respect of prior year	0.5	9.2
Difference in statutory tax rates	(0.2)	(0.1)
Other	2.4	(1.3)
Total income tax expense	**(19.0)**	**(21.3)**

7.28. SHARE-BASED PAYMENTS

Since September 2014 the Company implemented yearly Long-Term Incentive Plans (‘LTIP’), which are based on a combination of stock options (further ‘Options’) and restricted stock units (further ‘RSU’s’). In 2019 the long-term incentive plan changed in a combination of RSU’s, Options and Performance Stock Units (further ‘PSU’s’), each representing one third of the total long-term incentive grant value. The Options, RSU’s and PSU’s are accounted for as equity-settled share-based payments. The Options, RSU’s and PSU’s can only vest and Options giving the right to receive shares of the Company (further ‘Shares’) or any other rights to acquire Shares can only be exercisable as from three years after the grant. The RSU’s, PSU’s and Options will vest subject to the condition that the participant remains in service. The share price is considered to be the relevant performance indicator and the vesting of the award will not be subject to additional specific performance conditions, except for PSU’s. For the vesting of the PSU’s, the Board has set targets for the next 3-year performance period in terms of specific targets (both finance and non-finance KPI’s). The Articles of Association authorize the Company to deviate from such rule, as allowed under the Belgian Companies Code.

The exercise price of the Options will be equal to the last closing rating of the Share immediately preceding the option grant date. For the Options, the exercise period will start on the vesting date.

The Shares underlying the RSU’s and PSU’s will be granted for free as soon as practicable after the vesting date of the RSU’s and the PSU’s.

Upon vesting of RSU’s and PSU’s, the Shares underlying the RSU’s and PSU’s are transferred to the participants, while upon vesting, Options may be exercised until their expiry date (eight years from the date of grant).

On or about September 26, 2014, a total of 242,642 stock options and 49,040 RSU’s were granted, 85,966 options and 49,040 RSU’s have forfeited, expired or have been exercised as of December 31, 2021. The stock options and RSU’s are exercisable between September 2017 and September 2022.

On or about June 26, 2015, a total of 159,413 stock options and 38,294 RSU’s were granted, 35,532 options and 38,294 RSU’s have forfeited, expired or have been exercised as of December 31, 2021. The stock options and RSU’s are exercisable between June 2018 and June 2023.

On or about June 15, 2016, a total of 322,294 stock options and 75,227 RSU’s were granted, 69,805 options and 75,227 RSU’s have forfeited, expired or have been exercised as of December 31, 2021. The stock options and RSU’s are exercisable between June 2019 and June 2024.

On or about May 10, 2017 a total of 299,914 stock options and 69,023 RSU’s were granted, 60,803 options and 69,023 RSU’s have forfeited, expired or have been exercised as of December 31, 2021. The stock options and RSU’s are exercisable between June 2020 and June 2025.

On or about June 15, 2018, a total of 471,064 stock options and 93,576 RSU’s were granted, 111,712 options and 93,576 RSU’s have forfeited, expired or have been exercised as of December 31, 2021. The stock options and RSU’s are exercisable between June 2021 and June 2026.

On or about June 13, 2019, a total of 393,403 stock options, 124,420 RSU’s and 124,420 PSU’s were granted. 110,277 options, 55,458 RSU’s and 36,752 PSU’s have forfeited, expired or have been exercised as of December 31, 2021. The stock options and RSU’s are exercisable between June 2022 and June 2027.

On or about May 28, 2020, the Group granted a new LTIP plan consisting of 374,622 stock options, 119,244 RSU's and 119,244 PSU's. 132,641 options, 56,227 RSU's and 46,571 PSU's have forfeited, expired or have been exercised as of December 31, 2021. The stock options and RSU's are exercisable between June 2023 and June 2028.

During the period, the Group granted a new LTIP plan consisting of 432,438 PSU's. 39,357 PSU's have forfeited, expired or have been exercised as of December 31, 2021. The stock options and RSU's are exercisable between June 2024 and June 2029.

The Board of Directors of the Group has decided on June 1, 2015 to implement a full hedging program (total return swap) for the share-based payment arrangements starting July 1, 2015 and renewed on an annual basis.

The following share-based payment arrangements were in existence during the current and prior years:

	Expiry Date	Exercise Price per stock option (€)	Weighted average Fair value (€)	# stock options/ RSU's/PSU's December 31, 2021	# stock options/ RSU's/PSU's December 31, 2020
LTIP 2014					
Options	2022	17.87	3.57	156,676	138,641
RSU's	2017	N/A	15.97	-	-
LTIP 2015					
Options	2023	26.60	6.39	123,881	110,827
RSU's	2018	N/A	24.45	-	-
LTIP 2016					
Options	2024	28.44	6.64	252,489	241,375
RSU's	2019	N/A	26.48	-	-
LTIP 2017					
Options	2025	33.11	7.62	239,111	243,421
RSU's	2020	N/A	30.45	-	-
LTIP 2018					
Options	2026	23.56	4.68	359,352	374,645
RSU's	2021	N/A	21.35	-	74,414
LTIP 2019					
Options	2027	14.0	3.99	283,126	288,816
RSU's	2022	N/A	12.05	68,962	91,162
PSU's	2022	N/A	12.05	87,668	91,536
LTIP 2020					
Options	2028	13.9	3.13	241,981	264,891
RSU's	2023	N/A	11.86	63,017	82,286
PSU's	2023	N/A	11.86	72,673	82,286
LTIP 2021					
PSU's	2024	N/A	11.32	393,081	-
Total outstanding stock options				**1,656,616**	**1,662,616**
Total outstanding RSU's				**131,979**	**247,862**
Total outstanding PSU's				**553,422**	**173,822**

The following reconciles the options, RSU's and PSU's outstanding at the beginning and end of the year:

	Average exercise price per stock option (€)[1]	Stock options	RSU's	PSU's
As at January 1, 2020	**25.54**	**1,664,364**	**269,665**	**123,979**
Granted	13.90	374,622	119,244	119,244
Forfeited	18.78	(376,370)	(85,025)	(69,401)
Exercised[2]	-	-	(56,022)	-
As at December 31, 2020	**29.76**	**1,662,616**	**247,862**	**173,822**
Granted	-	-	-	432,438
Forfeited	14.08	(6,000)	(13,891)	(52,838)
Exercised[2]	-	-	(101,992)	-
As at December 31, 2021	**22.33**	**1,656,616**	**131,979**	**553,422**
of which vested and exercisable		*1,131,509*		

[1] The average exercise price mentioned in the table above relates only to the stock options, as the RSU's and PSU's do not have an exercise price.

[2] The weighted average share price of options exercised during the year ended December 31, 2021 was €9.43 (2020: €14.22).

The fair value of the stock options has been determined based on the Black&Scholes-model. The expected volatility used in the model is based on the historical volatility of the Company.

Below is an overview of all the parameters used in this model:

	LTIP 2014	LTIP 2015	LTIP 2016	LTIP 2017	LTIP 2018	LTIP 2019	LTIP 2020	LTIP 2021
Exercise Price (€)	17.87	26.60	28.44	33.11	23.56	14.00	13.90	-
Expected volatility of the shares (%)	23.58%	26.32%	26.56%	27.12%	25.63%	37.98%	31.90%	43.12%
Expected dividends yield (%)	2.94%	2.14%	1.98%	2.31%	2.70%	3.82%	4.00%	3.00%
Risk free interest rate (%)	1.13%	1.02%	0.37%	0.60%	0.69%	0.10%	-0.18%	0.00%

The fair value of the RSU's and PSU's has been determined by deducting from the exercise price the expected and discounted dividend flow, based on the same parameters as above.

Social charges related to the LTIP are accrued for over the vesting period.

7.29. CONTINGENCIES

The Group is involved in a number of environmental, contractual, product liability, intellectual property, employment and other claims and disputes incidental to our business.

COFECE, the Mexican antitrust authority, conducted an investigation into our industry and confirmed Mabe and certain individuals committed antitrust violations on periods prior to the acquisition of Grupo PI Mabe, S.A. de C.V. ("Mabe") by Ontex; such decision is being appealed on grounds of unconstitutionality of the fines imposed. Based on the confirmed findings of the investigation (all related to pre-Ontex acquisition of Mabe) and in light of the contractual terms of the Mabe acquisition, the Group does not expect this to result in a net financial cost to it.

Ontex Hygienic Disposables PLC (Ethiopia), a 100% subsidiary of the Group, is currently defending a domestic claim as a result of a Customs Duties and Taxes assessment from the Ethiopian Customs Commission in relation to imported inputs. We have filed an Application for Review of Judgment with evidence and support from relevant authorities (i.e. the Ethiopian Ministry of Industry and the Ethiopian Investment Commission) and are waiting for a response. Based on the current assessment, the Group is confident that the probability of cash outflow is remote. The maximum exposure is estimated at ETB 481 million (or (€9 million).

The Group currently believes that the disposition of the claims and disputes, individually or in aggregate, should not have a material adverse effect on our consolidated financial condition, results of operations or liquidity.

7.30. COMMITMENTS

7.30.1. Capital commitments

The Group has contracted expenditures for the acquisition of property, plant and equipment at December 31, 2021 of €23.0 million (2020: €13.6 million).

7.30.2. Bank guarantees

As indicated in note 7.17 'Interest-bearing debts', no assets are pledged as security for these borrowings. The entire amount of the Group's bank borrowings and accrued interest are secured according to collective pledge agreements.

The Group has given bank guarantees for an amount of €18.7 million in order to participate in public tenders as at December 31, 2021 (2020: €20.7 million).

7.31. RELATED PARTY TRANSACTIONS

As part of our business, Ontex has entered into several transactions with related parties.

7.31.1. Consolidated companies

A list of subsidiaries is given in note 7.7 'List of consolidated companies'.

7.31.2. Relations with the shareholders

There are no transactions with shareholders per December 31, 2021 (nor in 2020).

7.31.3. Relations with non-executive members of the Board of Directors

in € million	Full Year 2021	Full Year 2020
Remuneration	1.4	1.4

7.31.4. Relations with the key management personnel

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Group. Key management for the Group are all the members of Management Committee.

7.31.5. Key management compensation

Remuneration of the CEO	Full Year	
in € million	2021	2020
Fixed and variable remuneration	1.6	6.8

Remuneration of the Executive Team (excluding the CEO)	Full Year	
in € million	2021	2020
Fixed remuneration	4.5	5.6
Variable remuneration	1.5	1.6
Other remuneration	0.6	0.6
Total	**6.6**	**7.8**

The other remuneration relates mainly to post-employment benefit plans.

The Company implemented Long-Term Incentive Plans ('LTIP'), which are based on a combination of stock options, restricted stock units and performance stock units (see note 7.28).

The number of stock options, restricted stock units and performance stock units granted to the CEO and the Executive Management Team is summarized below:

For the year ended December 31, 2021	Number of RSU's	Number of PSU's	Number of Stock Options
LTIP 2018			
CEO	14,921	-	75,114
Executive Team (excluding CEO)	47,478	-	239,016
LTIP 2019			
CEO	18,414	18,414	64,610
Executive Team (excluding CEO)	53,376	53,376	171,928
LTIP 2020			
CEO	19,891	19,891	88,333
Executive Team (excluding CEO)	56,265	56,265	249,870
LTIP 2021			
CEO	-	22,202	-
Executive Team (excluding CEO)	-	302,324	-

7.32. EVENTS AFTER THE END OF THE REPORTING PERIOD

Beginning 2022, the Group has formally decided to pursue divestment opportunities for its Emerging Markets business, which does not align with the Group's renewed strategy to focus on partner and healthcare brands. The Emerging Markets essentially comprise the Central and South American activities, and those in the Middle East and Africa, which will thereby be reported as assets held for sale and discontinued operations as from reporting year 2022. The retained Core Markets business, primarily located in Europe and North America, reported a revenue of some €1.4 billion and an adjusted EBITDA margin of about 11.5% for the full year 2021. In Emerging Markets, revenue was some €0.6 billion and adjusted EBITDA margin about 2%.

In January 2022, the Group has decided to stop the production in our facility in Ethiopia and to only continue commercial activities in the country. The decision to stop production has no significant impacts on the consolidated financial statements at year-end 2021.

In February 2022, as a support for the implementation of the strategic review communicated in December 2021, the Company's bank lenders have unanimously agreed to waive the leverage covenant tests in June 2022 and December 2022, under the condition that no dividend would be paid out until June 2023.

The Group is following closely the developments in the conflict between Russia and Ukraine as this disrupts Ontex's ability to operate in these regions. Ontex's first focus is the safety of its employees, and the Group is providing the necessary support. Ontex has sales and marketing offices in Russia and Ukraine and a manufacturing plant in Noginsk, near Moscow. In 2021, the Group's generated some 5% of its revenue in these two countries, primarily in Russia supplied by the local plant. The fixed assets held in Russia represent approximately 4% of the consolidated fixed assets and include mainly machinery and right-of-use assets (leased manufacturing facilities). As of March 31, 2022, the manufacturing and commercial operations are ongoing as Ontex provides essential products and services, but these are significantly dependent from the supply of the necessary raw materials and resources.

7.33. AUDIT FEES

	Full Year	
in € thousands	**2021**	**2020**
Audit Fees	1,165.0	1,092.8
Additional Services rendered by the auditor's mandate:		
Audit related fees	363.7	89.3
Tax advisory & compliance services	30.0	110.6
Other Services	-	0.3
Total	**1,558.7**	**1,293.0**

SUMMARY STATUTORY FINANCIAL STATEMENTS

STATUTORY BALANCE SHEET AFTER APPROPRIATION

in € million	2021	2020
ASSETS	**3,225.0**	**3,718.5**
FIXED ASSETS	**2,824.1**	**3,275.0**
Formation expenses	0.1	0.4
Intangible assets	15.7	17.1
Tangible assets	0.9	1.6
Financial fixed assets	2,807.5	3,255.9
Participating interests	1,908.0	1,908.0
Amounts receivable	899.4	1,347.8
Other financial fixed assets	0.1	0.1
CURRENT ASSETS	**400.9**	**443.5**
Amounts receivable within one year	221.6	82.7
Treasury shares	9.7	145.8
Cash at bank and in hand	153.2	211.9
Deferred charges and accrued income	16.4	3.1
EQUITY AND LIABILITIES	**3,225.0**	**3,718.5**
EQUITY	**1,904.0**	**1,923.8**
Capital	823.6	823.6
Share premium	412.7	412.7
Reserves	267.3	273.4
Accumulated profits/(losses)	400.4	414.0
PROVISIONS AND DEFERRED TAXES	**5.0**	**4.9**
AMOUNTS PAYABLE	**1,316.0**	**1,789.8**
Amounts payable after more than one year	830.0	1,044.2
Financial debt	830.0	1,044.2
Amounts payable within one year	475.2	743.0
Financial debt	173.0	446.5
Trade debts	11.5	12.6
Taxes, remunerations and social security	3.4	3.2
Other amounts payable	287.3	280.7
Accruals and deferred income	10.9	2.6

STATUTORY INCOME STATEMENT

in € million	2021	2020
Operating income	45.6	41.5
Operating charges	(64.5)	(49.2)
Operating loss	**(18.9)**	**(7.7)**
Financial result	(0.8)	(5.9)
Profit/(loss) for the period before taxes	**(19.7)**	**(13.6)**
Income taxes	(0.1)	(0.1)
Profit/(loss) for the period	**(19.7)**	**(13.7)**

EXTRACT FROM ONTEX GROUP NV SEPARATE (NON-CONSOLIDATED) FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH BELGIAN GAAP

The preceding information is extracted from the separate Belgian GAAP financial statements of Ontex Group NV and is included as required by article 3:17 of the Belgian Company Code. The separate financial statements, together with the annual report of the Board of Directors to the general assembly of shareholders as well as the auditors' report, will be filed with the National Bank of Belgium within the legally foreseen time limits. These documents are also available on request at Ontex Group NV, Korte Keppestraat 21, 9320 Aalst (Erembodegem).

The statutory auditor's report is unqualified and certifies that the non-consolidated financial statements of Ontex Group NV prepared in accordance with Belgian GAAP for the year ended December 31, 2021 (full financial year) give a true and fair view of the financial position and results of Ontex Group NV in accordance with the legal and regulatory dispositions applicable in Belgium.

SUSTAINABILITY STATEMENTS

STAKEHOLDER ENGAGEMENT

We are a publicly listed company. Many parties have an interest in the way in which we conduct our business and that's why stakeholder engagement touches everything that we do. As Ontex teams are part of the communities in which they work, most of our efforts focus on local aspects, those that are close to our plants, offices and the communities for which we provide essential personal hygiene solutions. We realise that the relationships that we establish and nurture with stakeholders have a direct impact on our success. All our sites are required to identify their respective stakeholders and establish the best ways of engaging with them.

STAKEHOLDER GROUP	HOW WE ENGAGE	KEY TOPICS OF CONCERN	OUR RESPONSE
Customers	• Monitoring product sales • Contact through our sales team • Regular customer visits • Joint business planning • Surveys and research	• Product quality/safety • Carbon footprint • Smart, innovative solutions • Eco-labeling • Sourcing • Innovation • Working conditions • Human rights • Consumer insights • Single-use plastics • Evolving regulations	• Sustainable manufacture/production • Offering more eco-labeled products • Ensuring safe and healthy working conditions • Responsible and documented sourcing • Sustainable innovation • Ethical operations • Training for our institutional customers • Strengthen Product Stewardship
Consumers	• Consumer panels and focus groups • Social media networks • Monitoring product sales • Surveys and research	• Product quality & safety • Environmental impact of our products • Product labeling • Innovation • Service	• Ensuring consumer health and safety • Reducing the environmental impact of our products • Offering more eco-labeled products • Sustainable innovation • Customized products addressing local needs
Employees	• Recruitment • Personal development reviews • Surveys • Union/worker representative meetings • Internal and external audits • Internal communication via intranet, staff • updates, newsletter • Community and employee well-being projects • 'Speak Up' line • Social media & website	• Health & Safety • Working conditions & remuneration • Equal opportunities • Business ethics • Leadership • Personal development	• Ensuring safe and healthy working conditions • Ensuring business ethics • Supporting diversity and equal opportunities • Training and education • Graduate program • Internal mobility • Talent development • Leadership competency model • Personal Growth Plan • Third-party social audits
Investors	• Ongoing dialogue with investors/ analysts • Investor presentations/meetings • Annual General Meeting • Quarterly earnings reports and webcasts • PR • ESG indices and information requests	• Governance • Business ethics • Risk management • Environment/carbon footprint	• Clear and transparent governance framework & sustainability strategy • Business ethics • Responding to ESG indices to enhance transparency • Publishing a yearly integrated report including ESG data

STAKEHOLDER GROUP	HOW WE ENGAGE	KEY TOPICS OF CONCERN	OUR RESPONSE
Suppliers	• Visits and meetings • Supplier conferences • Procurement • Supplier tracker	• Raw material sourcing • Business ethics/human rights • Management systems • Quality • Innovation • Material safety • Evolving regulations	• Purchase all agriculture and forestry material from certified suppliers • Suppliers audits • Supplier Code of Conduct • Requirements and documentation on material safety & quality
Communities and non-governmental organizations	• On-going dialogue • Partnerships on common issues • Memberships of business and industry associations • Charitable activities • Information requests from academics and students • Corporate website	• Human rights • Environment • End-of-life waste • Consumer health and safety • Local community involvement • Medical face mask production to meet urgent need	• Affordable personal hygiene solutions • Ensuring consumer health and safety • Research • Chemicals/quality protocols/policies • Donations

MATERIALITY APPROACH

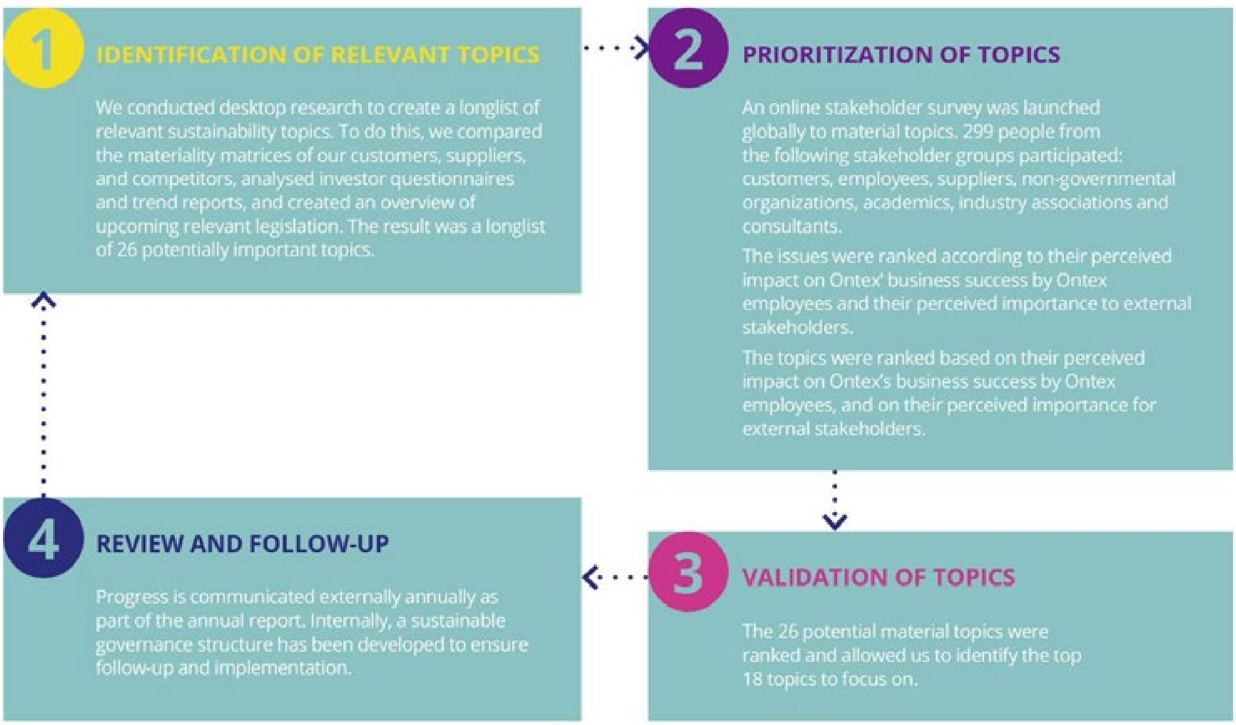
Responsible and sustainable business means working with our stakeholders to refine our strategy. We have selected our strategic priorities based on the principle of materiality. Material issues are considered the most critical economic, environmental and social issues that can significantly impact Ontex's performance and/or influence stakeholder decisions. They are used to determine our sustainability challenges and opportunities.

This year, we renewed our materiality matrix, a key tool for critically assessing, adapting and implementing our 2030 sustainability strategy.

An updated list of 18 key topics identified in collaboration with our stakeholders can be found in our current matrix below.

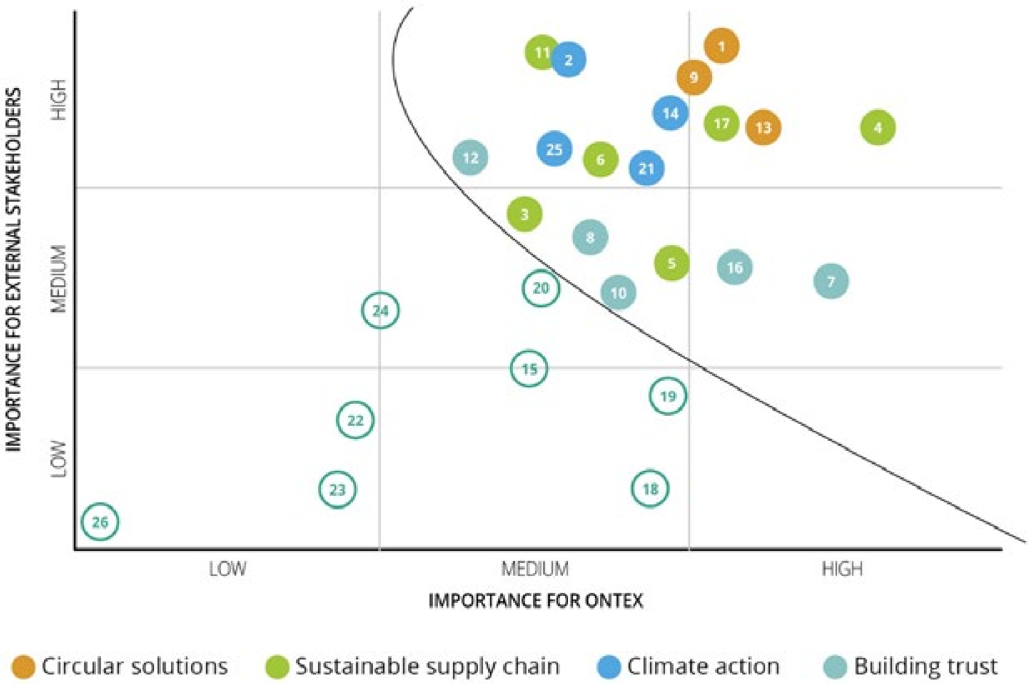
MATERIALITY PROCESS

We used a four-step process for the materiality assessment:



MATERIALITY MATRIX

The topics identified were placed on a matrix (see below), their position relative to the degree of stakeholder interest and potential business impact.



1 Circular economy
2 Climate change
3 Responsible supply chain
4 Product safety & quality
5 Transparency
6 Nature & biodiversity
7 Health and Safety
8 Business ethics & compliance
9 Sustainable products
10 Diversity & equality
11 Water
12 Addressing societal issues
13 Sustainable packaging & packaging reduction
14 Eco-efficiency & Environmental management system
15 Governance
16 Fair remuneration & employer branding
17 Human rights
18 Training & education
19 Employee engagement
20 Local development
21 Energy
22 Societal contribution
23 Stakeholder engagement & partnership
24 Animal welfare & testing
25 Transport & logistics
26 Advocacy

Understanding the result of materiality

Gradation of topics

- Topics above the line: for these topics, Ontex has a large direct or indirect impact.
- Topics below the line: for these topics, Ontex has less influence or stakeholders perceive the topic as less relevant. This does not mean that Ontex is not doing anything about the issue, it just means that the issue is not included in this report.

Interdependence of topics

Key topics do not exist independently, but are interrelated. For example:

- There is a high degree of interconnectedness among the various material issues. Responsible supply chain is in the middle of the matrix, but it is closely linked to climate change, which is one of the most important issues for external stakeholders. Similarly, human rights are still in the top quadrant of the matrix in 2021. They also depend heavily on business ethics and compliance, which are further down the matrix.
- Thus, a material topic cannot be addressed in isolation. Examining the interdependence of these issues helps us identify the necessary system-wide actions we need to take to make progress on our 2030 Sustainability Strategy.

Material issues across the value chain

By conducting our materiality analysis, we can identify and respond to the needs of all stakeholders. Some of the material issues can be addressed directly by us, while others require the involvement of various stakeholders in our value chain. This table provides an overview of the most important issues across the value chain. It shows us that we need the support of the entire value chain on a number of material issues, such as climate change, circular economy and product safety and quality. On other issues, such as water, we may have little direct influence because the impacts occur elsewhere in the value chain.

Where does the impact occur in the value chain?

Low	Moderate	Significant
1	2	3

Materiality	Definition	Forestry/ Cotton/ Agriculture	Suppliers	Ontex	Customers/ retailers	Consumers
Circular economy	Circular economy model: 3Rs and responsible waste management	3	3	3	3	3
Climate change	Reducing GHG emissions (scope 1-2-3), and mitigating the effects of long-term changes in the Earth's climate and its physical impacts on business operations, communities, and the natural environment. Advocacy and partnerships with others to reduce climate change impacts.	3	3	3	3	3
Responsible supply chain	Promoting responsibility in the value chain and ensuring its traceability	3	3	3	1	1
Product safety & quality	Ensuring the safety and quality of products and components used within them	2	3	3	3	3
Transparency	Increase of consumer awareness and satisfaction via transparency and responsible marketing	2	2	3	3	3
Nature & biodiversity	Minimisation of impact on nature and biodiversity	3	3	1	1	3
H&S	Occupational safety and health management of employees and contractors	1	1	3	1	1

Materiality	Definition	Forestry/ Cotton/ Agriculture	Suppli-ers	Ontex	Customers/ retailers	Consumers
Business ethics & compliance	Alignment to ethics and regulatory frameworks, fairness towards competitors and suppliers	②	②	③	②	①
Sustainable products	Reducing the carbon intensity of our products and promotion of sustainable innovations	①	③	③	②	②
Diversity & equality	Non-discrimination and diversity management in operations and management structures	①	②	③	①	①
Water	Improving access to water and managing water use and extraction sustainably across the value chain	②	②	①	①	①
Addressing societal issues	Addressing societal issues such as menstruation, incontinence,... in our promotional activities and providing access to affordable hygiene products	①	①	③	②	③
Sustainable packaging & packaging reduction	Reducing the environmental impact of packaging	②	③	③	③	②
Eco-efficiency & EMS	Eco-efficiency & EMS	③	③	③	②	①
Fair remuneration & employer branding	Fair compensation to employees and appeal as a responsible employer	①	①	②	①	①
Human rights	Upholding and promoting the basic rights and freedoms of all those who work across the value chain.	③	③	③	①	①
Energy	Energy production and consumption optimization and management of energy transition	①	②	③	①	①
Transport & logistics	Optimizing transportation to reduce the environmental impact by loading full carriers, using multi-modal transport, setting maximum emission norms and decrease volume by efficient packaging with an optimised number of DCs	①	②	③	③	①

Changes compared to the previous materiality assessment

Our most material issues are still aligned with the four pillars of the Ontex Sustainability Strategy 2030: (1) Climate action, (2) Circular economy, (3) Sustainable supply chain, (4) Building trust.

Several key topics - such as health and safety and human rights - were already highlighted as important in 2018. Now, in 2021, more essential topics are added. We see a shift in focus to sustainable products and packaging, including product safety.

Issues outside our direct sphere of influence, such as water management, nature and biodiversity, transportation and logistics, have been included in this materiality assessment. Hence the call to take a value chain approach in aligning our Sustainability.

Materiality & SDGs 1 to 17

Materiality	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Circular economy						●						●	●		●		●
Climate change							●					●	●				
Responsible supply chain			●			●						●		●	●	●	●
Product safety & quality			●			●								●			
Transparency			●														
Nature & biodiversity														●	●		
H&S			●														
Business ethics & compliance																●	●
Sustainable products												●	●				
Diversity & equality				●	●			●		●						●	
Water						●								●			
Addressing societal issues			●	●													
Sustainable packaging & packaging reduction												●	●	●	●		
Eco-efficiency & EMS						●	●							●	●		
Fair remuneration & employer branding	●				●					●							
Human rights	●		●	●	●			●		●						●	●
Energy							●						●				
Transport & logistics							●						●				

SUSTAINABLE DEVELOPMENT GOALS

The United Nations' sustainable development goals (SDGs) have our full support. They inspire our work and act as a guide as we set ambitions and engage with our partners. They provide a clear compass for business growth and development. They helped pilot us through the development of our new strategy and are embedded in our sustainable priorities.

As a company, we focus on the SDGs where we can have the biggest positive impact. This approach builds on our core principles of sustainability, safety and integrity, including respect for human rights.

3 GOOD HEALTH AND WELL-BEING

At Ontex, we manufacture high- quality products and solutions for baby care, feminine hygiene and adult incontinence care. We ensure access to affordable solutions that help our customers live healthy and dignified lives. Page 3-4

Consumers are increasingly concerned about the safety of the products they use; the impact they could have on their baby's health or, in the case of feminine hygiene products, on their own health and well-being. Page 27, 155

By providing good and safe working conditions, creating a positive work-life balance and being a company that makes the most of our employees' diverse talents, skills and personalities, we recognize our employees' contribution to our success. We strive for zero accidents. Page 19

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Global economic growth is enabling more and more people to have the opportunity for a better life. But individual prosperity increases demand on already limited natural resources. We are moving from a traditional, linear take-use-waste model to a circular business model that maximizes the use and reuse of resources, driven by innovation. Page 24-26

We strive for transparency with our consumers through eco or health labels. Page 27

13 CLIMATE ACTION

As a company and as people, we understand the need to address global warming with increased urgency. Our strategy commits us to reduce our Scope 1-2 emissions by 42% by 2030 (BY2020) and Scope 3 emissions by 25% by 2030 (BY2020). Our goal is to have carbon neutral operations by 2030. Page 21-23

14 LIFE BELOW WATER

Without proper waste management, personal care products could end up in the oceans and seas. That's why our product and packaging innovations consider the element of compostability and/or biodegradability. In addition, we work with the industry to educate consumers on proper product disposal by communicating on the packaging. Page 24, 26, 27

15 LIFE ON LAND

We use various raw materials derived from wood, such as pulp, viscose, cardboard in our products and packaging. We are aware of the serious consequences of deforestation and forest degradation and do not want to contribute to these problems. Therefore, we source agricultural and forestry materials (pulp, airlaid and viscose) only from FSC® and PEFC™ certified suppliers and support the regeneration of forests through local measures such as reforestation. Page 28-29

SUSTAINABILITY GOVERNANCE

Sustainability has long been integrated into all of Ontex's functions and at all levels of operations.

Our Sustainability strategy 2030 outlines our ambitions and commitments, creating a common agenda for all Ontex units, leading together towards 2030. It provides a focus and roadmap for everyone within Ontex. Each part of our business has the freedom to set its own goals and targets to contribute to this strategy. This gives room for locally tailored and relevant implementation. Our Sustainability strategy 2030 is deployed throughout the Group and anchored in the different departments.

The Board of Directors	The Executive Management Committee (EMC)	The Group sustainability team	Steering committees	Sustainability roles within other parts of the business
○ The Board oversees and approves the Ontex sustainable development commitments & monitors progress	○ Determines strategy and approves targets ○ It monitors the implementation of the sustainability strategy 2030 ○ The sustainability responsible, Annick De Poorter (Executive Vice-President R&D, Quality & Sustainability), ensures the integration of sustainability into the management agenda.	○ Defines and deploys the Ontex sustainability strategy 2030 ○ Monitors progress and presents the result to the EMC & Board ○ The team works closely together with other departments to embed sustainability in the organization ○ Report on a monthly base to the Board	○ Climate steering committee: Oversees the performance against our climate targets, scope 1-2-3 and steers the development, challenges and approves the climate roadmaps ○ Circular steering committee: Follows up on our circular ambitions, roadmaps, projects.	• Implement and/or contribute to one or more objectives of the sustainability strategy 2030

Our standards and policies form the basis for turning our strategy into action and making our vision a reality. Many of our internal standards and policies are based upon international frameworks.

SUMMARY OF THE DIFFERENT COMPONENTS OF ONTEX'S SUSTAINABILITY GOVERNANCE

	Climate action	Circular solutions	Building trust	Sustainable supply chain
Policies, guidelines or statements			Code of ethics: > Human rights policy: > Speak Up policy/line: > Diversity policy: >	Supplier code of conduct: > Ethical sourcing policy: > Modern slavery statement: > Fiber sourcing policy: > Animal testing statement: >
	SHEQ policy: >			
Management systems & certifications	ISO50001: >	ISO14001: >	BSCI ISO45001	BSCI
External charters or initiatives	Greenhouse Gas Protocol	LCA based on ISO14040		FSC: > PEFC: > GOTs: > OCS: >
			UN Universal Declaration of Human Rights ILO Declaration on Fundamental Principles and Rights at Work UN Guiding Principles on Business and Human Rights	
	UNSDGs https://ontex.com/sustainability/sustainability-strategy/			

Table: Summary of the different components of Ontex sustainability governance

PRODUCT SAFETY

This is an addendum to the chapter Building Trust on page 26 of this report, explaining our product safety setup.

MITIGATING RISK

Absorbent hygiene products can pose skin health risks and cause conditions such as diaper dermatitis. We are mitigating this risk by maximizing product performance, raw material safety, and by promoting clear health & safety messaging about our products. We also closely monitor customer and end-user complaints.

We are also staying in step with the rapidly evolving regulatory requirements by participating in dialogue facilitated by industry associations such as EDANA, BAHP, Group'Hygiène, AHPMA UK and BeMedtech.

RAW MATERIAL SAFETY

All our suppliers are required to provide safety-related documentation such as a safety data sheet, an Ontex conformity declaration, test reports (including biocompatibility tests), and the complete chemical composition.

These documents are the basis for a safety evaluation by our regulatory team in cooperation with an external toxicologist. The conformity declaration is the most important element of the safety document package as it allows us to confirm compliance with all legal and regulatory obligations.

In 2021, our Regulatory Affairs team launched a new conformity declaration requiring a more comprehensive disclosure on materials' composition from our suppliers. It also further refines chemical testing and biocompatibility requirements.

PRODUCT TESTING IN TRUSTED LABS

Ontex has a track record of cooperating with trusted external laboratories to ensure our finished products meet the highest safety and performance standards. We use biocompatibility tests in accordance with OEKO-TEX 100 criteria for components in contact with skin. This screening has become increasingly popular among our customer and end-consumers.

TRANSPARENCY AND THIRD-PARTY ASSURANCE

We use clear and prominent labelling to give consumers information and reassurance about the health and safety features of our products. On some products, this messaging is enhanced by third-party product certifications and trademarks. Today, 48% of our turnover comes from products with one or more eco or health labels

Certifications in the Ontex portfolio include OEKO-TEX 100, Asthma&Allergy Nordic and AllergyCertified. Others, such as Blauer Engel, EU Ecolabel, and the Nordic SWAN, confirm safety, quality and reduced environmental impact.

Animal-derived substances used throughout the supply chain are subject to third-party verifications including the V-label and the Vegan Society trademark.

CUSTOMER COMPLAINTS

Ontex treats complaints and any non-conformities meticulously in line with the requirements of ISO certifications (9001-13485-14001) and they get regularly reviewed as part of Ontex scorecard. In 2021, we further rolled out ISO 13485 certification to our Eeklo & Radomsko sites, have made a significant improvement of non-conformity figures throughout the company, and further developed a performant validation process.

NON-FINANCIAL DATA

The table below provides an overview of Ontex's sustainability performance in 2021 and tracks progress since 2019.

ENVIRONMENTAL DATA

GENERAL

	UNIT	2019	2020	2021	COMMENT
Production site scope					
Total number of manufacturing sites in scope	Number of sites	18	18	19	
Production					
Production volumes	Million pieces	21947	21602	21750*	* Plant in Brazil included in the scope
ISO 14001 certification					Scope: All EU plants, Ontex Russia, Ontex Algeria, Ontex Tijuana, Ontex Puebla, Ontex Istanbul
Percentage of ISO 14001 certified sites	%	85	86	93	
ISO 50001 certification					
Percentage of ISO 50001 certified sites	%	62	51	57	
ISO 45001 certification					
Percentage of ISO 45001 certified sites	%	23	21	21	

CLIMATE

	UNIT	2019	2020	2021	COMMENT
CO2 EMISSIONS SCOPE 1,2 & 3					
Scope 1 & 2 emissions market-based					Methodology: Scope 1 and 2 carbon emissions are calculated using the Greenhouse Gas Protocol definition. PwC has provided ISAE 3000 limited assurance on selected environmental data of 2021, marked with a Greek small letter beta (ß), presented in the table below. The PwC limited assurance report can be found on page 170-171 of our Integrated Annual Report. Scope: Data are covering direct and indirect emissions generated by the manufacturing of the product at our sites. Sales offices that are not related to a manufacturing plant are excluded from the scope of the
Scope 1	Tons CO2-equivalent	9 770	10 815	15 567	
Scope 2	Tons CO2-equivalent	50 855	46 461	18 587	
Total scope 1 & 2	Tons CO2-equivalent	**60 626**	**57 276**	**34 154 (ß)**	
Scope 1 & 2 emissions location-based					
Scope 1	Tons CO2-equivalent	9 770	10 815	15 567	
Scope 2	Tons CO2-equivalent	128 694	128 786	123 978	
Total scope 1 & 2	Tons CO2-equivalent	**138 465**	**139 601**	**139 545 (ß)**	
Absolute reduction of scope 1 & 2 emissions market-based since 2018	%	10	15	53	

Absolute reduction of scope 1 & 2 emissions market-based since 2020	%	-	0	40	calculation (<1% of the overall emissions).
					Sources of emission factors: Bilan carbon, UK Government GHG Conversion Factors for Company Reporting, IEA, specific emissions factor for electricity
Carbon intensity ratio of scope 1 & 2 emissions	gCO2/€ product sold	26,6	27,5	16,8	
Greenhouse gas emissions in scope 3					Methodology: Emissions are calculated according the Greenhouse Gas Protocol methodology.
Purchased goods & services	Tons CO2-equivalent	-	1056083	1094621	
Capital goods	Tons CO2-equivalent	-	89350	46436	
Fuel- and energy-related activities	Tons CO2-equivalent	-	10904	11420	2020 Scope 3 data have been updated compared with previous reporting.
Upstream transportation and distribution	Tons CO2-equivalent	-	234460	242633	
Waste generated in operations	Tons CO2-equivalent	-	21537	24547	Scope: Covers approximatively 99% of operations controlled by Ontex
Business travel	Tons CO2-equivalent	-	432	309	
Downstream transportation & distribution	Tons CO2-equivalent	-	141281	141894	
End of life treatment of sold products	Tons CO2-equivalent	-	569876	528744	Sources of emission factors: EcoInvent, supplier specific emissions factor, GLEC
Total	**Tons CO2-equivalent**	**-**	**2123923**	**2090644 (ß)**	
Absolute reduction of scope 3 emissions since 2020	%	-	0%	-2%	
ENERGY EFFICIENCY & RENEWABLES					
Energy consumption within the organisation					
Electricity consumption	MWh	382937	383251	367108	
Car fuels (diesel/gasoline)	MWh	10226	10741	13751	
Fuel oil	MWh	3608	3872	11903	
LPG	MWh	1722	1456	1169	
Natural gas	MWh	25029	23969	36824	
Wood pellets	MWh	2737	2467	942	
Total energy consumption	MWh	426260	425756	431697	
Electricity intensity ratio	kwh/1000 finished goods	15,66	16,03	16,10*	* Brazil plant was included in the scope of 2021
Renewable energy					
Percentage of renewable electricity	%	70	75	91	Quantity of renewable electricity compared with the total amount of electricity purchased.
Percentage of total renewable energy	%	65	70	80	Quantity of renewable energy compared with total amount of energy consumed.
On-site production renewable electricity					
Production plants with on-site renewable electricity generation	Number of sites	1	2	4	Type of on-site production: solar
Amount of green electricity generated on-site	MWh	628	2267	5212	

MATERIALS

	UNIT	2019	2020	2021	COMMENT
Material use					
Baby diapers	%	-8	-11	-13	Reduction of materials usage per piece compared with base year 2014.
Baby pants	%	0	-5	-8	
External feminine care	%	2	4	0	
Light adult care	%	-1	-2	-5	
Heavy adult care	%	-13	-13	-16	
Total	%	-1	-2	-1	
Renewable raw materials					
Share of renewable raw materials in our products	%	49	48	48	
Share of renewable raw materials in our packaging	%	81	80	80	
Biobased raw materials					
Share of biobased raw materials in our products	%	49	48	48	
Share of biobased raw materials in our packaging	%	81	80	80	
Deforestation					
Share of recycled paper and board for packaging	%	92	92	96	
Share of fluff coming certified sources (FSC®/ PEFC™)	%	73	81	83	
Share of fluff coming from controlled sources	%	23	19	17	
Share of cotton from organic sources	%	100	96	96	
Product safety					
Share of eco-/health labels on our products	% turnover	34	41	48	

CIRCULAR SOLUTIONS

	UNIT	2019	2020	2021	COMMENT
REUSABLE, RECYCLABLE, COMPOSABLE					
Percentage of total packaging that is reusable, recyclable or compostable	%	100	100	100	
Share of recycled raw materials in our products	%	0	0	0	
Share of recycled raw materials in our packaging	%	0	0	9	9% of the quantity of the plastic primary packaging is coming from a recycled material.
Percentage of sustainable innovations	%	-	-	75	75% Of our top 20 innovations are categorized as sustainable projects. This means they show a CO2 improvement and/or circular improvement such as less plastic or more renewable materials.
PRODUCTION WASTE					
Non-hazardous					
Preparation for reuse*	ton	-	985	1237	
Sent to recycling	ton	31142	31724	38867	
Other recovery operations*	ton	-	0	0	

Sent to incineration for energy generation/recovery	ton	2201	3442	3938	
Sent to incineration without energy generation/recovery	ton	237	0	212	
Sent to landfill/storage	ton	4357	3202	1946	
Other disposal operations*	ton	-	0	0	
Hazardous					
Preparation for reuse*	ton	-	0	0	
Sent to recycling	ton	25	325	120	
Other recovery operations*	ton	-	2	0	
Sent to incineration for energy generation/recovery	ton	136	155	262	
Sent to incineration without energy generation/recovery	ton	14	12	30	
Sent to landfill/storage	ton	5	469	15	
Other disposal operations*	ton	-	20	13	
Total production waste	ton	38118	40336	46641	
Recycling index	%	88	91	95	The recycling index expresses the quantity of waste sent to recycling & energy recuperation compared with the total production waste.
Waste diverted from disposal	ton	-	33036	40224	
Waste directed to disposal	ton	-	7300	6417	
Waste treatment					
Onsite	%	-	3	0	
Offsite	%	-	97	100	
Waste composition					
Metals (iron, aluminium)	%	-	1	3	
Paper/cardboard	%	-	19	19	
Plastics packaging (film)	%	-	17	26	
Product scrap (fluff, SAP...)	%	-	35	26	
Solvent	%	-	<1	<1	
Textiles	%	-	4	3	
Used oil	%	-	<1	<1	
WEEE	%	-	<1	<1	
Wood (pallets)	%	-	7	6	
Other	%	-	16	16	Examples: residual waste, ashes, etc.
WATER					
Water consumption					
Ground water	m³	79887	62050	59330	
Surface water	m³	10171	5747	3393	
Urban water	m³	114140	119759	102609	
Rain water	m³	574	1073	937	
Deep well	m³	0	0	11874	
Total water consumption	m³	204771	188629	178143	
Water intensity ratio	m³/1000 finished goods	0,01	0,01	0,01	

SOCIAL DATA

HUMAN RESOURCES

	UNIT	2019	2020	2021	COMMENT
WORKFORCE					
Total employees					All Workforce data are expressed in FTEs on 31/12/2021. The data mentioned in this table can vary from the data mentioned in the statutory report due to different calculation methodologies.
Total number of employees	Number of employees	9627	9807	9039	
Employee by category					
Blue collar	Number of employees	6087	6399	5813	
White collar	Number of employees	3540	3329	3150	
Management	Number	95	79	76	
Employees by geographical zones					
Number of different nationalities	Number	56	74	75	
Employees by gender					
Percentage of men in total employees	%	72	69	71	
Percentage of women in total employees	%	28	31	29	
Employees by age					
<30 years	%	23	23	20	
30-50 years	%	61	61	62	
>50 years	%	16	16	17	
Employees by contract type					
Limited duration	%	6	8	5	
Unlimited duration	%	94	92	95	
Inclusive diversity					
Percentage of female management	%	24	25	26	
Percentage of persons with disabilities	%	1	2	1	
Hires & dismissals					
Total number of hires	Number of hires	1606	1902	1505	
Total number of dismissals	Number of dismissals	1315	1668	2134	
Turnover rate	%	14	17	24	
Absenteeism					
Absenteeism rate	%	3	4	4	Expressed as the total of unplanned hours of absence of active employees to the total of available hours during 2021.
SOCIAL DIALOGUE					
Social dialogue					
Percentage of employees covered by collective bargaining agreements	%	66	62	61	
Percentage of employees that are represented by a health & safety committee	%	41	87	85	

HEALTH & SAFETY					
Occupational accidents					
Frequency rate	Ratio	5,86	5,45	2,96	Number of labor accidents per million worked hours.
Severity rate	Ratio	0,11	0,12	0,10	Number of total lost days compared with the total number of hours scheduled to be worked by the employees. Days mean scheduled work days. The counting of lost days starts the day after the accident.
Fatal accidents	Number	0	0	0	
TALENT DEVELOPMENT					
Percentage of employees trained	%	98	80	83	Employees having participated in at least one training course.
Total number of training hours	Number	192484	202272	104601	As not all training is currently registered, the figures shown are an underestimation. We are optimizing the process of registering training.
Average number of training hours per employee	Number	20	21	12	
HUMAN RIGHTS					
Number of BSCI audits conducted at our sites	Number	7	7	6	

SUPPLIER DATA

	UNIT	2019	2020	2021	COMMENT
Supplier Code of Conduct signed	%	64	62	93	All Group raw material & packaging suppliers, excluding outsourcing & traded goods, non-SAP plants.
Human rights risk mapping					
Percentage of new suppliers that were screened using social criteria	%	100	100	100	All Group raw material & packaging suppliers, excluding outsourcing & traded goods, non-SAP plants.
Suppliers located in risk countries	%	26	15	15	All Group raw material & packaging suppliers, excluding outsourcing & traded goods, non-SAP plants.
Percentage of risk suppliers covered by a valid social audit report	%	-	43	32	All Group raw material & packaging suppliers, excluding outsourcing & traded goods, non-SAP plants.

MEMBERSHIPS OR PARTICIPATIONS	
Sustainable supply chain	FSC®
	PEFC
	OCS
	GOTS
	BSCI
Circular business	OVAM - Flemish government, Woosh, Les Alchimistes
Sustainability	The Shift
Consumer health & safety	EDANA, Group Hygiène, Ahpma & BAHP

ESG RATINGS

	UNIT	2019	2020	2021	COMMENT
CDP Climate	Score	B-	B	C	Scale from lowest to highest score: D- to A
CDP Forest	Score	C	B	B	Scale from lowest to highest score: D- to A
ISS	Score	C-	C	C	Scale from lowest to highest score: D- to A+
Ecovadis	Score	/	/	Bronze	Medal starting from top 50. Lowest to highest medal: Bronze - Platinum
MSCI	Score	AA	AA	AA	Scale from lowest to highest score: CCC to AAA
Vigeo Eiris	Score	40	41	45	Scale from lowest to highest score: 0 to 100

REPORTING ON EU TAXONOMY

Core business activities – Taxonomy -non-eligible

The Taxonomy Regulation is a key component of the European Commission's action plan to redirect capital flows towards a more sustainable economy. It represents an important step towards achieving carbon neutrality by 2050 in line with EU goals as the Taxonomy is a classification system for environmentally sustainable economic activities.

We have examined the Taxonomy-eligible economic activities related to the first two environmental objectives (climate change mitigation and climate change adaptation) in accordance with Art. 8 Taxonomy Regulation and Art. 10 (2) of the Art. 8 Delegated Act on our activities as a producer for personal hygiene products for the reporting period 2021.

We concluded that our economic activities are not covered by the Climate Delegated Act and consequently are Taxonomy-non-eligible. It can therefore be concluded that Ontex offers products that have no potential to qualify as contributing to climate change mitigation and climate adaptation under the Climate Delegated Act.

OUR KPIS

Our turnover is Taxonomy-non-eligible because our economic activities are not covered by the Climate Delegated Act to date. Consequently, the share of Taxonomy-eligible economic activities in our total turnover is 0% and - consequently - the related capital and operating expenditure are also 0% (cf. table 1 for our KPIs).

	Total (in € million)	Proportion of Taxonomy-eligible economic activities (in %)
Turnover	2,026.4	0%
Capital expenditure (Capex)	(56.5)	0%
Operating expenditure (Opex)	(106.6)	0%

Table 1 - Proportion of Taxonomy-eligible economic activities in total turnover, Capex and Opex (%)

Accounting Policies

The specification of the KPIs is determined in accordance with Annex I of the Art. 8 Delegated Act. We determine the Taxonomy-eligible KPIs in accordance with the legal requirements and describe our accounting policy in this regard as follows:

Turnover KPI

Definition

The proportion of Taxonomy-eligible economic activities in our total turnover (i.e. consolidated revenue as presented in the consolidated income statement of the Group) has been calculated as the part of the revenue derived from products and services associated with Taxonomy-eligible economic activities (numerator) divided by the consolidated revenue (denominator). The denominator of the turnover KPI is based on our consolidated revenue in accordance with IAS 1.82(a). For further details on our accounting policies regarding our consolidated revenue, see paragraph 7.1.12 of the consolidated financial statements 2021.

With regard to the numerator, we have not identified any Taxonomy-eligible activities as explained above.

Reconciliation

Our consolidated revenue can be reconciled to the our consolidated financial statements, i.e. the consolidated income statement in the consolidated financial statements 2021 or in the table 1 of this section.

Capex KPI

Definition

The Capex KPI is defined as Taxonomy-eligible Capital Expenditures (‘Capex’) (numerator) divided by our total Capex (denominator). With regard to the numerator, we refer to our explanations below.

Total Capex is defined as purchases of property, plant and equipment (IAS 16) and intangible assets (IAS 38) during the financial year. For further details on our accounting policies regarding our Capex, see paragraphs 7.1.6 and 7.1.7 of the consolidated financial statements 2021.

Reconciliation

Our total Capex can be reconciled to the line item “Purchases of property, plant and equipment and intangible assets” in the consolidated statement of cash flows or in table 1 of this section.

Opex KPI

The Opex KPI is defined as Taxonomy-eligible Operating Expenditure (‘Opex’) (numerator) divided by our total Opex (denominator). With regard to the numerator, we refer to our explanations below.

Total Opex consists of direct non-capitalised expenses incurred to meet the ongoing operational costs of running a business. This includes expenses relating to non-capitalised research and development, and repair and any other direct expenditures relating to the day-to-day servicing of fixed assets (i.e. property, plant and equipment and intangible assets).

Direct costs for training and other human resources adaptation needs are excluded from the denominator and the numerator. This is because Annex I to Art. 8 Delegated Act lists these costs only for the numerator which does not allow a mathematically meaningful calculation of the Opex KPI.

The total amount can be found in table 1 of this section.

Explanation on the numerator of the Capex KPI and the Opex KPI

As Ontex has not identified Taxonomy-eligible economic activities, we do not record Capex/Opex related to assets or processes that are associated with Taxonomy-eligible economic activities in the numerator of the Capex KPI and the Opex KPI.

GRI INDEX

GRI STANDARD	Disclosure	Page number(s) and/or URL(s)
GENERAL DISCLOSURES		
GRI 101: Foundation 2016		
GRI 102: General Disclosures 2016	**Organizational profile**	
	102-1 Name of the organization	Cover
	102-2 Activities, brands, products, and services	p. 3-4
	102-3 Location of headquarters	p. 175
	102-4 Location of operations	p. 3
	102-5 Ownership and legal form	p. 87
	102-6 Markets served	p. 35
	102-7 Scale of the organization	p. 4
	102-8 Information on employees and other workers	p. 160-161
	102-9 Supply chain	p. 28-29, 161
	102-10 Significant changes to the organization and its supply chain	p. 175
	102-11 Precautionary Principle or approach	p. 154
	102-12 External initiatives	153, 162, 175
	102-13 Membership of associations	162
	Strategy	
	102-14 Statement from senior decision-maker	p. 5-7
	102-15 Key impacts, risks and opportunities	p. 65-66
	Ethics and integrity	
	102-16 Values, principles, standards, and norms of behavior	p. 30-32
	102-17 Mechanisms for advice and concerns about ethics	p. 31
	Governance	
	102-18 Governance structure	p. 154
	Stakeholder engagement	
	102-40 List of stakeholder groups	p. 146-147
	102-41 Collective bargaining agreements	p. 160
	102-42 Identifying and selecting stakeholders	p. 146-150
	102-43 Approach to stakeholder engagement	p. 146-150
	102-44 Key topics and concerns raised	p. 146-150
	Reporting practice	
	102-45 Entities included in the consolidated financial statements	p. 116-118
	102-46 Defining report content and topic Boundaries	p. 175
	102-47 List of material topics	p. 149
	102-48 Restatements of information	-
	102-49 Changes in reporting	p. 175
	102-50 Reporting period	p. 175
	102-51 Date of most recent report	p. 175
	102-52 Reporting cycle	p. 175
	102-53 Contact point for questions regarding the report	p. 175
	102-54 Claims of reporting in accordance with the GRI Standards	p. 175

Waste		
GRI 306: Management Approach 2020	306-1 Waste generation and significant waste-related impacts	p. 24
	306-2 Management of significant waste-related impacts	p. 24-26
GRI 306: Waste 2020	306-3 Waste generated	p. 158-159
	306-4 Waste diverted from disposal	p. 158-159
	306-5 Waste directed to disposal	p. 158-159
GRI 400 Social Standards Series		
Occupational Health and Safety		
GRI 103: Management Approach 2016	103-1 - 3 Explanation of the material topic and its Boundary, management approach, its components and evaluation	p. 19
GRI 403: Occupational Health and Safety 2016	403-1 Workers representation in formal joint management-worker health and safety committees	p. 160
	403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	p. 161
	403-3 Workers with high incidence of high risk of diseases related to their occupation	-
	403-4 Health and safety topics covered in formal agreements with trade unions	-
Training and Education		
GRI 103: Management Approach 2016	103-1 - 3 Explanation of the material topic and its Boundary, management approach, its components and evaluation	p. 16
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	p. 161
	404-2 Programs for upgrading employee skills and transition assistance programs	-
	404-3 Percentage of employees receiving regular performance and career development reviews	-

Diversity and Equal Opportunity		
GRI 103: Management Approach 2016	103-1 - 3 Explanation of the material topic and its Boundary, management approach, its components and evaluation	p. 17-18
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	p. 50, 160
Human rights		
GRI 103: Management Approach 2016	103-1 - 3 Explanation of the material topic and its Boundary, management approach, its components and evaluation	p. 18, 29
GRI 407: Freedom of association & collective bargaining	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	p. 18, 29, 160-161
GRI 408: Child labour	408-1 Operations and suppliers at significant risk for incidents of child labour	p. 18, 29, 160-161
GRI 409: Forced or compulsory labour	409-1: Operations and suppliers at significant risk for indicidents of forced or compulsory labor	p. 18, 29, 160-161
GRI 411: Rights of Indigenous people	411-1: Incidents of violations involving rights of indigenous people	-
GRI 412: Human Rights Assessment	412-1: Operations that have been subject to human rights reviews or impact assessments	p. 18, 29, 160-161
	412-2: Employee training on human rights policies or procedures	-
	412-3: Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	p. 29, 161

Supplier Social Assessment		
GRI 103: Management Approach 2016	103-1 - 3 Explanation of the material topic and its Boundary, management approach, its components and evaluation	p. 29, 161
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	p. 29, 161
	414-2 Negative social impacts in the supply chain and actions taken	p. 29, 161
Customer Health and Safety		
GRI 103: Management Approach 2016	103-1 - 3 Explanation of the material topic and its Boundary, management approach, its components and evaluation	p.27, 155
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	p.27, 155
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	p. 155

INDEPENDENT LIMITED ASSURANCE REPORT ON A SELECTION OF SUSTAINABILITY KPI'S IN THE INTEGRATED ANNUAL REPORT 2021 OF ONTEX GROUP NV

To the Board of Directors of Ontex Group NV

This report has been prepared in accordance with the terms of our engagement contract dated 14 October 2021 (the "Agreement"), whereby we have been engaged to issue an independent limited assurance report in connection with a selection of sustainability KPIs, marked with a Greek small letter (β), of the Integrated Annual Report as of and for the year ended 31 December 2021 of Ontex Group NV (the "Report").

THE DIRECTORS' RESPONSIBILITY

The Directors of Ontex Group NV ("the Company") are responsible for the preparation and presentation of the selection of sustainability KPIs for the year 2021, marked with a Greek small letter (β) in the Report (the "Subject Matter Information"), in accordance with the criteria disclosed in the Report (the "Criteria").

This responsibility includes the selection and application of appropriate methods for the preparation of the Subject Matter Information, for ensuring the reliability of the underlying information and for the use of assumptions and estimates for individual sustainability disclosures which are reasonable in the circumstances. Furthermore, the responsibility of the Directors includes the design, implementation and maintenance of systems and processes relevant for the preparation of the Subject Matter Information that is free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an independent conclusion about the Subject Matter Information based on the procedures we have performed and the evidence we have obtained.

We conducted our work in accordance with the International Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements other than Audits or Reviews of Historical Financial Information" (ISAE 3000), issued by the International Auditing and Assurance Standards Board. This standard requires that we comply with ethical requirements and that we plan and perform the engagement to obtain limited assurance as to whether any matters have come to our attention that cause us to believe that the Subject Matter Information has not been prepared, in all material respects, in accordance with the Criteria.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable engagement been performed. The selection of such procedures depends on our professional judgement, including the assessment of the risks of material misstatement of the Subject Matter Information in accordance with the Criteria. The scope of our work comprised the following procedures:

- assessing and testing the design and functioning of the systems and processes used for data-gathering, collation, consolidation and validation, including the methods used for calculating and estimating the Subject Matter Information as of and for the year ended 31 December 2021 presented in the Report;
- conducting interviews with responsible officers;
- reviewing, on a limited test basis, relevant internal and external documentation;
- performing an analytical review of the data and trends in the information submitted for consolidation;
- considering the disclosure and presentation of the Subject Matter Information.

The scope of our work is limited to assurance over the subject matter information. Our assurance does not extend to information in respect of earlier periods or to any other information included in the Report.

OUR INDEPENDENCE AND QUALITY CONTROL

Our engagement has been carried out in compliance with the legal requirements in respect of auditor independence, particularly in accordance with the rules set down in articles 12, 13, 14, 16, 20, 28 and 29 of the Belgian Act of 7 December 2016 organizing the audit profession and its public oversight of registered auditors, and with other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

OUR CONCLUSION

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the subject matter information within your Report as of and for the year ended 31 December 2021 has not been prepared, in all material respects, in accordance with the Criteria.

OTHER ESG RELATED INFORMATION

The other information comprises all of the ESG related information in the Report other than the Subject Matter Information and our assurance report. The directors are responsible for the other ESG related information. As explained above, our assurance conclusion does not extend to the other ESG related information and, accordingly, we do not express any form of assurance thereon. In connection with our assurance of the Subject Matter Information, our responsibility is to read the other ESG related information and, in doing so, consider whether the other ESG related information is materially inconsistent with the Subject Matter Information or our knowledge obtained during the assurance engagement, or otherwise appears to contain a material misstatement of fact. If we identify an apparent material inconsistency or material misstatement of fact, we are required to perform procedures to conclude whether there is a material misstatement of the Subject Matter Information or a material misstatement of the other information, and to take appropriate actions in the circumstances.

OTHER MATTER - RESTRICTION ON USE AND DISTRIBUTION OF OUR REPORT

Our report is intended solely for the use of the Company, to whom it is addressed, in connection with their Report as of and for the year ended 31 December 2021 and should not be used for any other purpose. We do not accept or assume and deny any liability or duty of care to any other party to whom this report may be shown or into whose hands it may come.

Diegem, 4 April 2022

PwC Bedrijfsrevisoren BV/Reviseurs d'Entreprises SRL

represented by

Marc Daelman[1]

Registered auditor

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[1] Marc Daelman BV, member of the Board of Directors, represented by its permanent representative Marc Daelman

INVESTOR RELATIONS AND FINANCIAL COMMUNICATIONS

OUR AIM IS TO PROVIDE RELIABLE, CONSISTENT INFORMATION ON A TIMELY BASIS ABOUT THE STRATEGY, GOALS AND PROGRESS OF ONTEX TO ALL FINANCIAL MARKET PARTICIPANTS. SINCE OUR IPO IN JUNE 2014, WE ARE CONTINUOUSLY BUILDING OUR INVESTOR RELATIONS PROGRAM.

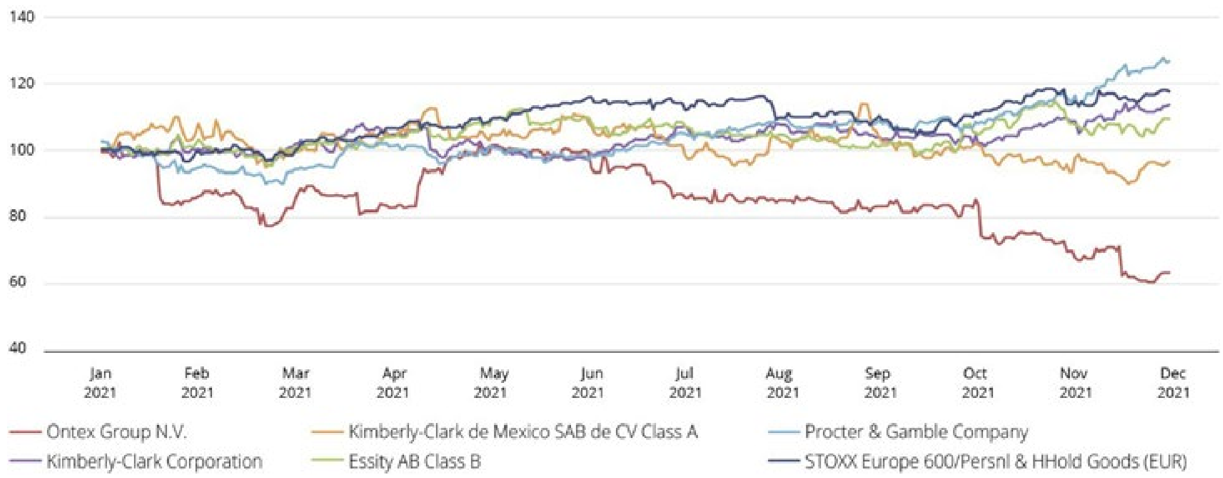
1. SHAREHOLDER STRUCTURE

The shareholder structure of the Company on December 31, 2021,[1] was, based on the transparency declarations received by the Company, as follows:

Shareholders	Shares	%[2]	Date threshold crossed
Groupe Bruxelles Lambert SA	16,454,453	19.98%	April 20, 2021
ENA Investment Capital	12,411,999	15.07%	April 29, 2020
The Pamajugo Irrevocable Trust	2,722,221	3.64%	February 29, 2016
Veraison SICAV – Engagement Fund	2,497,800	3.03%	July 20, 2021

2. SHARE PERFORMANCE

Our share is listed on Euronext Brussels. Performance of the Ontex share compared with market indices and hygienic disposable manufacturers:



[1] Updates subsequent to December 31, 2020 are described on our website (https://ontex.com/investors/leadership/).

3. FINANCIAL CALENDAR 2022-2023

Financial Calendar 2022	Date
Annual General Meeting of Shareholders	May 5, 2022
Q1 2022	May 12, 2022
Q2 & H1 2022	July 29, 2022
Q3 2022	November 10, 2022
Q4 & FY 2022	March 1, 2023

GLOSSARY

	Description
Adjusted Profit (or Adjusted Basic Earnings)	Adjusted Profit (or Adjusted Basic Earnings) is defined as profit for the period plus non-recurring income and expenses and tax effect on non-recurring income and expenses, attributable to the owners of the parent.
Adjusted Basic Earnings per share	Adjusted Basic Earnings per share are defined as Adjusted Basic Earnings divided by the weighted average number of ordinary shares.
Adjusted EBITDA	Adjusted EBITDA is defined as EBITDA, excluding non-recurring income and expenses
Adjusted EBITDA margin	Adjusted EBITDA margin is adjusted EBITDA divided by revenue.
Free Cash Flow	Free cash flow is defined as net cash generated from operating activities (as presented in the consolidated cash flow statement, i.e. including income taxes paid) less capital expenditures (Capex, defined as purchases of property, plant and equipment and intangible assets), less repayment of lease liabilities and including cash (used in)/from disposal.
EBITDA	EBITDA is defined as earnings before net finance cost, income taxes, depreciations and amortizations.
Like-for-like (LFL) revenue	Like-for-like revenue is defined as revenue at constant currency excluding change in scope of consolidation or M&A.
LTM adjusted EBITDA	LTM adjusted EBITDA is defined as EBITDA plus non-recurring income and expenses for the last twelve months (LTM).
Net Financial Debt	Net financial debt is calculated by adding short-term and long-term debt and deducting cash and cash equivalents.
Net financial debt/LTM adjusted EBITDA ratio (leverage)	Net financial debt divided by LTM Adjusted EBITDA.
Non-recurring income and expenses	Income and expenses classified under the heading “non-recurring income and expenses” are those items that are considered by management not to relate to transactions, projects and adjustments to the value of assets and liabilities taking place in the ordinary course of activities of the Company. Non-recurring income and expenses are presented separately, due to their size or nature, so as to allow users of the consolidated financial statements of the Company to get a better understanding of the normalized performance of the Company. Non-recurring income and expenses relate to: - acquisition-related expenses; - changes to the measurement of contingent considerations in the context of business combinations; - changes to the Group structure, business restructuring costs, including costs related to the liquidation of subsidiaries and the closure, opening or relocations of factories; impairment of assets and major litigations. Non-recurring income and expenses of the Group for the years ended December 31 are composed of the following items presented in the consolidated income statement: - income/(expenses) related to changes to Group structure; and - income/(expenses) related to impairments and major litigations.
Working Capital	The components of our working capital are inventories plus trade, pre-paid expenses and other receivables plus trade payables, accrued expenses and other payables.

ABOUT THIS REPORT

EACH YEAR ONTEX PUBLISHES AN INTEGRATED REPORT COVERING THE ECONOMIC, ENVIRONMENTAL AND SOCIAL ISSUES THAT MATTER MOST TO US AND OUR STAKEHOLDERS. OUR LATEST REPORT WAS PUBLISHED ON APRIL 23rd, 2021.

THIS REPORT CONTAINS FINANCIAL AND NON-FINANCIAL INFORMATION FOR THE PERIOD JANUARY 1, 2021 TO DECEMBER 31, 2021, UNLESS OTHERWISE SPECIFIED. IT ENCOMPASSES OUR OPERATIONS IN 21 COUNTRIES ON FIVE CONTINENTS AS WELL AS OUR HEADQUARTERS IN AALST, BELGIUM, WHICH TOGETHER EMPLOY ~9,000 PEOPLE. SOME MANUFACTURING SITES AND OFFICES DO NOT REPORT ALL SOCIAL OR ENVIRONMENTAL DATA, AND IN THESE CASES THE TYPE OF DATA THEY REPORT MAY DIFFER FROM SITE TO SITE. SEE THE NOTES IN SUSTAINABILITY PERFORMANCE 2021 CHAPTER (P146-170).

We have used the Global Reporting Initiative (GRI) Standards (Core option) with reference to the Sustainable Development Goals (SDGs) to guide us in preparing this report. GRI is the international standard for sustainability reporting. The SDGs define global sustainable development priorities and aspirations for 2030 and seek to mobilize global efforts around a common set of goals and targets.

Disclaimer: This report may include forward-looking statements. Forward-looking statements are statements regarding or based upon our management's current intentions, beliefs or expectations relating to, among other things, Ontex's future results of operations, financial condition, liquidity, prospects, growth, strategies or developments in the industry in which we operate. By their nature, forward-looking statements are subject to risks, uncertainties and assumptions that could cause actual results or future events to differ materially from those expressed or implied thereby. These risks, uncertainties and assumptions could adversely affect the outcome and financial effects of the plans and events described herein. Forward-looking statements contained in this report regarding trends or current activities should not be taken as a report that such trends or activities will continue in the future.

This report represents the directors' report prepared in accordance with article 3.32 §1 of the Belgian Company Code. In most of the tables of this report, amounts are shown in € million for reasons of transparency. This may give rise to rounding differences in the tables presented in the report. This report has been prepared in English and translated into Dutch. In the case of discrepancies between the two versions, the Dutch version will prevail.

The Ontex leadership team has validated this report.

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Annual Report

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