

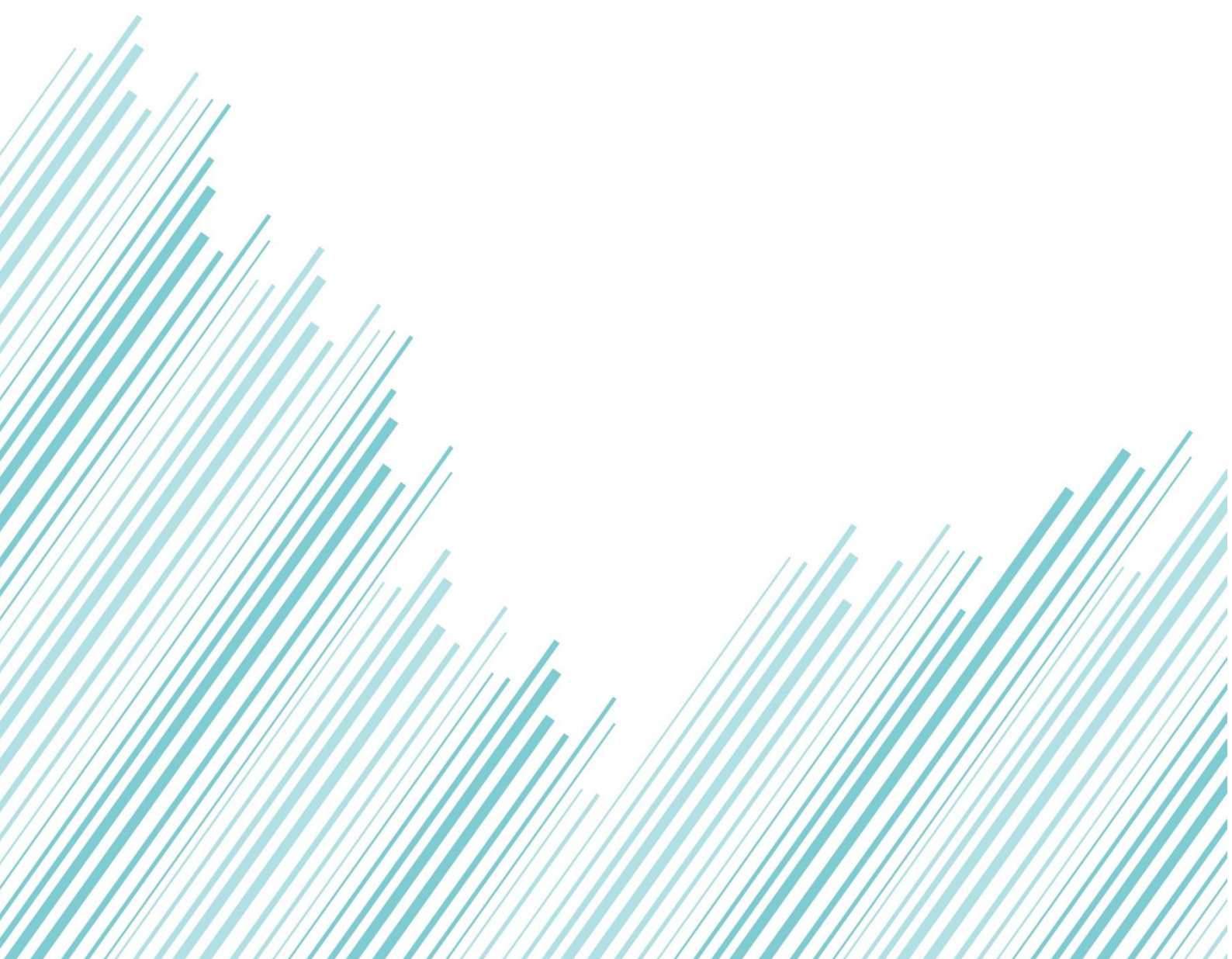


Penn Textile Solution

ESG REPORT

Corporate sustainability reporting

2024



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INTRODUCTION

This report has been prepared for the purpose of illustrating Penn Textile Solution's commitment to environmental, social and governance issues.

The ESG (Environmental, Social, Governance) criteria are indicators, consistent with GRI standards, that allow us to assess how a company behaves toward issues:



Environmental respecting the environment in which it operates and actively working to reduce the environmental impact of its activities;



Social in terms of relations with local communities, employees, suppliers, customers and in general all stakeholders related to the company's activities;



Governance inspired by ethical principles of business continuity, management control, ensuring maximum transparency of business decisions and choices.

The emergence of ESG logics has been echoed by the publication of the UN 2030 Agenda for Sustainable Development, which through its 17 Sustainable Development Goals has inspired the strategies and ways in which sustainability is being realized in states and organizations, and by the European Dual Materiality Financial Statements Regulations (NFD).



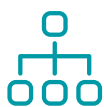
SUSTAINABLE DEVELOPMENT GOALS



ESG indicators are important because they make it possible, including through indispensable audits, to make objective, measurable and comparable the environmental, social and governance activities that have guided Penn Textile Solution's business operations for some time.



The content of this report is addressed to all interested parties and is the culmination of an "awareness journey" that has led the company to better understand the role it plays vis-à-vis the environment and society.



The structure of the report is composed and includes an introductory section presenting the company's activities, followed by sections devoted to each of the 3 macro-areas of interest of an ESG report.

The reporting period is for the year 2023.



THE COMPANY

Penn Textile Solution has a good number of employees.

The number of employees in the given year is:

Employees	n	2023
		120

Penn Textile Solutions is an international company with the production and development capacity of innovative fabrics suited to meeting the various needs of our customers.

The image below shows the area where the Organization is based:



At the entrance to the site in Germany there is yarn to manufacture the fabrics.

Yarns provided	tons	2023
		595.41

The following production volumes were recorded in the year under review:

Fabric product	m	2023
		1,479,987

Revenues recorded in the year 2023 are:

Economic value generated (Turnover or total revenue)	€	2023
		19,688,202



ENVIRONMENTAL REPORTING

Penn Textile Solution has a strong commitment to environmental protection, both in terms of the impacts its business may cause to the surrounding area, and more broadly in protecting the environment globally, combating climate change and preventing impacts.

The company considers the impacts of its business across the board by adopting the "Life Cycle Perspective" logic, which means that it does not only assess the impacts related to its own production activities but goes beyond that by taking into consideration the entire supply chain and the environmental impact of its products including end-of-life.

Demonstrating its concrete commitment to environmental issues throughout the supply chain, the company has established criteria for qualifying its suppliers. The Organization has a total of 66 suppliers, of these - 71% have been qualified with environmental criteria, while 71% ensure full traceability along the supply chain.

To ensure careful management of aspects and continual improvement in reducing impacts, Penn Textile Solution has identified appropriate indicators and introduced actions to monitor and control its own performance.

The environmental aspects considered, and their indicators are explained below in dedicated paragraphs.



LAND USE

The areas owned by the company cover a total area of 15.500sq. m.

Compared to the total area occupied, 775 sq. m. is for green or otherwise unsealed areas, while 12400 sq. m. is for covered area and 2325 sq. m. is the outdoor sealed area. The ratio of impervious area to total farm land area is 95% to 5%.



ENERGY

Energy is fundamental to the activities carried out by Penn Textile Solution; fuel and fuel consumption is monitored periodically through appropriate indicators. The main energy sources and their consumption are summarized in the table below:

		2023
Electrical energy consumed	Kwh	3,238,037
% Renewable energy consumed from grid	%	100%
Natural gas consumption	Smc	1,346,021
Self-generated renewable source electricity	Kwh	2,758,896

Transportation-related fuel consumption, i.e., fuel consumption of company vehicles, is also monitored under the consumption detail:

Fuel		2023
Gasoline consumption	Smc	1.7
Consumption of diesel fuel for motor vehicles	Smc	1.3

Emissions to the atmosphere in tons of CO2 equivalent were calculated for all the fuels and combustibles listed above and for electricity consumption, see the following section for details.

Part of Penn Textile Solutions' methane consumption is ascribable to the thermo-finishing process. To promote sustainability, Penn Textile Solutions has taken the initiative of releasing hot water to homes and buildings located in neighboring areas by measuring consumption in kilowatt-hours (kWh). This hot water, generated by the thermo-finishing process, is recovered and reused, thus contributing to the reduction of energy waste.

The table below shows the energy consumption for the year 2023.

Energy		2023
Energy released (hot water to neighbours)	Kwh	936,360



AIR EMISSIONS AND REFRIGERANT GASES

Penn Textile Solution is committed to reducing greenhouse gas emissions, the gases that cause the global warming phenomenon. In line with the Paris Accords in 2015 to keep the rise in average global temperature well below 2°C in the long term, the company has calculated the amounts of CO2 equivalent emitted from production processes in terms of energy consumption, transports, and the release of refrigerant gases into the atmosphere and implemented actions to reduce them.

The table below details the company's air emissions:

Emission source		2023
Transport of raw materials	tons CO2e	1,081.48
Methane consumption	tons CO2e	3,004
Combustion	tons CO2e	7.32
Waste transport	tons CO2e	4.25
Transport for product delivery	tons CO2e	484
Total emissions	tons CO2e	4,581.51

Overall, the company emitted in 2023: 4,581.51 tons CO2 e from the use of electricity, fuels and fuels. Penn Textile Solution has introduced the best technical and plant solutions to abate the pollutants released into the atmosphere and has the appropriate environmental permits.



WATER USE

Penn Textile Solution knows that water is a precious resource, which is why it is committed to reducing water consumption and preventing pollution. The company uses water for the production process and for domestic use, the sources and volumes of supply are summarized below:

Water consumption	u.m.	2023
Production process	mc	87,444
Domestic use	mc	1,524

A total of 88,968 mc of water was used in 2023 year.

The company performs periodic analytical checks of discharged wastewater to verify that it is qualitatively compliant with environmental regulations and the best standards.



WASTE

The company's activities produce special waste.

Penn Textile Solution is aware that waste is a resource that needs to be enhanced, so with a view to the circular economy it prefers the recovery and reuse of waste as much as possible, demonstrating this in 2023 29.5 % of waste was sent to recovery operations.

When direct material recycling is not technically possible, the company sends the waste to energy recovery for the purpose of generating electricity and heat, only if there are no alternatives are the wastes sent to other disposal operations.

At the site there is a dedicated area for temporary storage of waste that is managed in compliance with current regulations, introducing all solutions for the prevention of potential damage to the environment such as accidental spills.

The quantities of waste produced are constantly monitored; monitoring for the year 2023 is shown below:

Waste produced		2023
Hazardous waste disposed	Kg	66,060
Non-hazardous waste disposed	Kg	174,300
Waste disposed	Kg	240,360
Waste to Recovery (R)	Kg	70,710
Waste to Disposal (D)	Kg	169,450



PRODUCTS PACKAGING

The German site packs the finished products on cardboard rolls, wrapped in plastic films and positioned on pallets.

The quantities of packaging materials produced are constantly monitored; monitoring for the year 2023 is shown below:

Packaging materials	u.m.	2023
Paper, kartons	kg	32,623
Foil and adhesive tape	kg	10,603
Wood pallets	kg	7,900



CHEMICALS

The production process in the German plant requires the use of chemicals for finishing and dyes for dyeing. Penn Textile Solution monitors the amounts of chemicals used and is committed to adopting the best strategies for reducing the use of substances that may cause a health or environmental hazard.

The following quantities of chemicals were used in 2023:

Chemicals	u.m.	2023
Dyestuff	kg	15,260
Other chemicals	kg	381,520
Total chemicals	kg	396,780

For the Organization, it is also essential that the products used comply with the best reference standards defined at international level.

When chemical products are handled in the company, all useful actions are introduced to prevent any spillage of substances that may cause a danger to health or the environment. In the year 2023 no spill occurred.



ENVIRONMENTAL SURVEILLANCE

During 2023, environmental protection audits were carried out, the details are available below:

		2023
Annual Audit Environment	n	1



SOCIAL REPORTING

For Penn Textile Solution, people are the most important value. For this reason, the company is committed to the protection of its employees, to the constant guarantee of respect for the rights and well-being of workers and adequate working conditions throughout the production chain.

The company's operations are based on a Code of Ethics, i.e. a document that lists the principles of conduct and the ethical and social rules to which all company representatives must comply. The document also defines the ethical and social responsibilities of the company and the values it promotes.

The last revision of the Code of Ethics was carried out in 2023-06-20

As a demonstration of its commitment to social issues throughout the supply chain, the company has defined criteria for the qualification of its suppliers. The Organization has a total of 66 suppliers, of which 71% have been qualified according to social criteria.

Penn Textile Solution has an Independent Supervisory Body and an Organizational Model for the prevention of crimes.

The Supervisory Body has the task of constantly verifying compliance with the Organizational Model by all recipients, its effectiveness in preventing any crimes and its updating in the event of changes.

Penn Textile Solution's attention to social issues is not limited to company boundaries alone but promoted throughout the production chain. The company carries out a qualification of its suppliers that also takes into account social management criteria.

Supplier Qualification		2023
Qualified suppliers with social/total management criteria	71%	47

The table below shows some data that allow you to better frame the composition of the company population and turnover in 2023.

Company Population		2023
Employees	n	120
Hours worked by company staff per year	h	40
Managers (managers, middle managers, supervisors)	n	9
Total number of employees	n	111
Total number of workers	n	81
Staff departures	n	33

The presence of women is as a percentage:

Women / total	%	2023
		27.5

The percentage of women in positions of responsibility is:

		2023
Managers Women / total managers	%	1.7

The youngest worker in the company is 18 years old. In general, the average age of the company's workforce is 49 years. In the last year, 7 apprenticeship contracts have been activated and interns were present in the company.

The table below shows the composition of the company by age group:

Employees by age group		2023
Employees by age group: 16-18	n	0
Employees by age group: 19-35	n	18

Employees by age group: 36-55	n	40
Employees by age group: >55	n	33

Penn Textile Solution is very attentive to the issue of equal opportunities in order to offer all employees the same opportunities at work, removing any form of obstacle that may limit the development of everyone's personality. The company is aware that differences can be an important asset and help achieve goals.



FORMATION

Penn Textile Solution knows that training means investing in people to increase the skills of each employee, but also of the work group.

In recent years, numerous training sessions have been organized on different topics and at different levels. Last year, 4 hours of training were carried out for an average of 0.03 hours for each employee. Below is a breakdown of the training activities organized by the company during the reporting period:

Training hours		2023
Mandatory training hours	h	2
Mandatory training hours	%	50
Health-safety training hours	h	300
Mandatory training hours	h	2
Hours of training for specific health and safety risks	h	2
Hours of social training and corporate well-being	h	1

The hours of training carried out for each employee are:

		2023
Training hours / employee	h	0.03



WORKING at Penn Textile Solution

At Penn Textile Solution, we know that a positive work climate is essential to achieve the set goals, but also to increase people's engagement and motivation. Positive and long-lasting relationships also promote the maintenance of the company's know-how in the long term.

All company employees are guaranteed freedom of association and the exercise of the right to collective bargaining.

In the last year, employees who are members of trade unions have been 6% of the total company population. The workers have also elected their own RSUs (Unitary Trade Union Representatives) who in the last year 7 people.

For Penn Textile Solution, diversity is a resource, which is why it is committed to creating an inclusive work environment that encourages the expression of everyone's potential. Diversity and inclusion aspects are also presented with the following indicators:

Diversity & Inclusion		2023
Employees with foreign origins or citizenship	n	6



HEALTH & SAFETY

For Penn Textile Solution, ensuring adequate health and safety protections in the workplace is an essential aspect of the company's activities. To this end, all prevention and protection measures have been adopted to minimise the risks associated with work activities.

A Head of the Prevention and Protection Service has been appointed in the company (last appointment made on 2023-12-29) whose task is to identify, assess and manage health and safety risks in the workplace and coordinate the Prevention and Protection Service.

The culture of safety at work is shared at all levels of the company through dedicated training sessions and through the appointment of Workers' Safety Representatives, who have the task of representing workers with regard to aspects of health and safety at work. Firefighting and First Aid Teams have been appointed and are subject to periodic updates to verify the necessary skills (last update First Aid Team made on 2021-04-30, last update Fire Prevention Team made on: 2023-10-26).

The proof of the effectiveness of the actions introduced for the protection of health and safety at work is given by the number of accidents recorded. Also in this case, monitoring is essential to allow the company to assess the situation and implement improvement actions.

		2023
Injuries	n	7
Injuries with more than 40 days prognosis	n	0
Days of absence from work due to injury	Gg	0

In order to protect the health of its employees, Penn Textile Solution carries out specific health surveillance based on the tasks performed by each employee. In the last year, 0.83% of workers have been subjected to health surveillance. The results of the monitoring are reported below:

		2023
Recognised occupational diseases	n	0
Health surveillance	n	1
Employees subject to health surveillance	%	0.83



SOCIAL SURVEILLANCE

During 2023, ethical and social audits were carried out, details are available below

Annual Audit Ethical/Social/Safety	n	2023
		3



GOVERNANCE

When we talk about Governance, we refer to the structure through which business decisions are developed and the methods and tools for achieving objectives are identified.

For Penn Textile Solution, Governance means defining the company's objectives, the structure of process management and the methodologies for achieving them, and the creation of a set of rules and tools through which to monitor their progress.

The fundamental principles that the Organization wants to promote through governance processes are:

- generation of shared value;
- long-lasting and resilient development;
- fight against corruption;
- responsible use of natural resources and the fight against climate change.

By strengthening its leadership in CSR (Corporate Social Responsibility) issues, Penn Textile Solution is confident that it can achieve its goals and become a role model in terms of sustainability and social and cultural responsibility.

Penn Textile Solution updated the Organizational Chart, in which the roles and responsibilities of company personnel are defined, on 2023-12-29.



ECONOMIC VALUE GENERATED AND DISTRIBUTED

The generation of value is a fundamental aspect that characterizes the existence of every company.

For Penn Textile Solution, generating value does not only mean making a profit from the activities carried out, but combining corporate profitability with social and environmental dimensions. During the company's operations, the environmental and social dimensions must therefore be protected in the long term without compromising economic and financial performance.

The company monitors economic performance in terms of economic value generated and distributed.

Net annual revenues for 2023 are:

Economic value generated (Turnover or total revenues)	€	2023
		19,688,202

The company has 250 active customers, who have made purchases in 2023.

In order to assess the risk of turnover concentration, it has been calculated that 3 customers generate 50% of turnover; therefore, the customers relevant to the company's business are 0,4%.

Penn Textile Solution has a risk management fund, i.e. a reserved portion of the balance sheet to deal with potential risks (non-payments, litigation, etc.) that is equal to 0,6% of the company's balance sheet.

With regard to the economic value distributed, the table below shows the details calculated for 2023.

	u.m.	2023
Current Asset	€	3,103,709
Current Passive	€	3,103,709
Equity	€	3,898,895
Payables to banks	€	2,079,675

A financial sustainability index based on the percentage ratio of financial expenses to net revenues has been defined, in the last reporting year it was 0,9%.



RESEARCH AND INNOVATION

Penn Textile Solution strongly believes in research and innovation, which is considered a fundamental requirement for business competitiveness

The interventions are as follows:

		2023
Investments in research and innovation	€	400,000



BUSINESS CONTINUITY

To ensure business continuity, the company must be able to assess and manage in advance the risks that could cause the interruption of activities or even undermine the existence of the Organization. By adopting risk management models at all levels, the company becomes resilient to change.

As far as the supply chain is concerned, Penn Textile Solution has identified 7 significant suppliers, i.e. those that in the event of absence could cause problems for the continuity of business activities. Of these, he also assessed that they would be difficult to replace. Service providers such as waste disposers are also taken into account, and it has been found that these would not be easily replaceable.

Regardless of whether or not they are significant for the business, 71% of suppliers have been qualified taking into account correct governance criteria such as the presence of specific certifications, code of ethics, Model 231, etc., i.e. essential requirements to be able to work with Penn Textile Solution.

The company has equipped itself with a suitable and protected area for data management.

In addition to the supply chain, fundamental aspects for business activities were taken into consideration, such as risks related to climate change (already addressed in the "Environment" chapter), IT security and full legislative compliance.

The company has received zero cyber-attacks, it has also carried out simulations of attempts to capture confidential information or to allow "bridges" on the computer system through professional "trap" requests to the Organization's staff, in order to test the level of sensitivity in the company to the issue and the security of its systems.

The continuity of the company's business must be guaranteed by complete compliance with authorization processes. Penn Textile Solution has undergone third-party audits of complete legislative compliance in management and financial matters.

The company has also adopted an anti-corruption procedure." "There is no evidence of an anti-corruption procedure."

An IT risk analysis was also conducted, i.e. an assessment of IT risks that could be of interest to the company, highlighting the points where the system is most vulnerable.

The company was able to verify its resilience to change during the year 2019 due to the Covid-19 pandemic. An opportunity has been identified in smart working, which has allowed the continuation of some of the company's activities, in particular last year 10 people carried out a few days a week in smart working. Also, as a result of the pandemic period, the possibility of working from home has become a tool for the company to allow, for those who have the opportunity, a better work-life balance.



SURVEILLANCE GOVERNANCE

During 2023, governance audits were carried out, details are available below

Annual Audit - governance	n	2023
		1