

Sustainability Reporting Year 2025



PAFASYSTEM

ANNUAL REPORT 2025



PAFASYSTEM

Sustainability Reporting

Year: 2025

SUSTAINABLE DEVELOPMENT GOALS



A Sustainable Future.

On 25 September 2015, the United Nations General Assembly adopted the 2030 Agenda for Sustainable Development. Attended by over 150 leaders from around the world, the assembly divided the agenda into 17 Sustainable Development Goals (SDGs) and 169 sub-goals.

The unsustainability of the current development model has been clearly expressed, not only from an environmental perspective but also from economic and social standpoints. For this reason, the idea that sustainability concerns exclusively environmental issues is definitively overcome, affirming instead an integrated vision of the different dimensions of development. It is made clear that every country in the world is required to contribute to the effort of developing a global sustainability model by defining sustainable development strategies that enable the achievement of the SDGs.

The European Commission, from an accountability perspective, has linked the objectives of the 2030 Agenda to its policy framework in order to ensure their integration across all Union activities. From this viewpoint, the European Union's growth strategy takes a specific name: the Green Deal. It aims to increase the effectiveness and competitiveness of the current economy while simultaneously reducing net greenhouse gas emissions to zero by 2050. To achieve these ambitious goals, the fundamental requirement identified by the Union is the improvement of sustainability reporting by economic operators. Stakeholders must have the opportunity to invest sustainably by having access to all relevant information regarding financial products. At the same time, citizens themselves must benefit from the presence of a stable, sustainable, and inclusive economic system.

All of this translates into a growing demand for corporate sustainability information, driven especially by the evolving nature of the risks businesses face and investors' increasing awareness of the financial implications of these risks. For these reasons, the Union's direction is to enable companies to communicate their ESG data transparently and clearly. The most recent Regulations and Directives aim precisely at this: a transition toward sustainability information reporting that is easy both for the entities required to disclose these data and for those who will read them.

Pafasystem has chosen to embark on its sustainability journey starting from the awareness of the importance of tracking its environmental, social, and governance data, engaging with its internal and external stakeholders.

With the same goals, Pafasystem now aims to prepare its Sustainability Report according to the principles expressed by the CSRD.

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Letter to Stakeholders.

Dear Stakeholders,,

This is the third sustainability report by Pafasystem SRLU.

We will update this publication annually to document our journey, the goals we have achieved, and those we aim to reach, so that our decisions are increasingly guided by social, environmental, and economic sustainability.

Being sustainable means acting to improve every aspect of corporate life and the world around us. It means promoting people's empowerment and well-being. It means pursuing growth objectives by choosing to act with fairness and integrity, a sense of responsibility and foresight, and in compliance with the European Sustainability Reporting Standards (ESRS).

Being all of this means dedicating time and resources to achieving goals whose results may not be immediate, but which, in the long run, we believe are crucial for all economic operators.

With passion for our work and openness toward you—who observe and evaluate our progress—we are committed to making this journey tangible, with clear and concrete objectives to face the challenges that may arise, and to seize the opportunities that we are confident will come our way.

Thank you for your attention, and we invite you to follow our journey towards our next goals through our social media channels and on the website pafasystem.com.

We create connections between the world of mechanics and fashion.

2.

History and Values.

Since 1962, we have been creating connections between the worlds of mechanics and fashion, between technology and knitwear..

Pafasystem is located here, at this crossroads of excellence in production – a place built on experience and know-how, knowledge and experimentation, exchange and collaboration with partners and stakeholders.

When Pafa introduced the first computerized fancy yarn machines in the 1980s, the sector began to thrive, driven by knitwear collections that brought Italian style to the world. Starting from the plant in Prato, Pafa machines would also be exported to many countries, entering into collaboration with some of the most important players in the textile industry.

Being headquartered in Prato – the heart of Europe's most important textile district – enhances our ability to communicate and fosters collaboration, also thanks to the showroom we open to industry professionals for various kinds of experimentation.

Research has always been a key focus of our corporate strategy, along with attentive service, customer listening, and personalized design. These are the values that define our work – aimed at creating sophisticated products capable of generating high-quality and desirable yarns and fabrics for knitwear.



You can only seize opportunities by doing.

3.

Activities, Markets, Clients.

**Don't overthink — act.
Only by doing can you seize opportunities, even when markets are turbulent and hard to read, as they have been in recent months.**

Pafasystem's core business is the design and manufacturing of fancy yarn spinning machines, including sales, installation, technical training, after-sales support, spare parts service, and sample development, which takes place in our in-house showroom.

All production is carried out at our facility in Prato, Italy, working with long-standing suppliers who have become reliable and valuable commercial partners. With them, we have built a true production chain based on expertise, mutual respect, transparency, loyalty, and trust.

Our machines are highly specialized, ensuring extremely high final product quality and great versatility of use. The company's size — flexible and dynamic, typical of a lean organization — allows us to design even highly customized, tailor-made machines while also pursuing total quality by carefully managing even the intermediate phases of the production process.

We export our products to all five continents. In addition to our consistently important domestic market, we focus on global markets where the textile industry has taken root, grown, and evolved.

We distribute our machines directly to producers of yarns for both knitwear and weaving. Among our clients are major fashion groups, prestigious spinning mills working with international brands, and subcontracting companies producing yarns for the high-end market.



Right now, in various countries around the world, hundreds of thousands of kilograms of fancy yarns and chenille yarns are being produced. In these companies, in these countries, one or more Pafa machines are operating.

We want to grow together with our customers.

4.

Governance & Organization

We work towards objectives

Our organizational structure can be described as traditional, yet we pursue the lean factory model. At the same time, we work toward clearly defined goals, organizing all our actions and resources to achieve the priorities we set.

Our business model is focused on creating value, which translates primarily into the well-being of the company and its employees, but also into the well-being of the local area and the society in which we operate.

This commitment is also reflected in the decision to prepare this report, to illustrate how our focus on local stakeholders influences our business plans and shapes certain aspects of our investment strategy.



Organization, Management, Control.

During 2025, Pafasystem achieved one of the most important goals in the history of a company: the generational transition from founder Mario Fani to his daughter Francesca was officially completed.

Today, Pafasystem is a single-member limited liability company with a highly streamlined governance structure that ensures rapid decision-making and action. The Board of Directors comprises the CEO, who oversees the company's strategic and organizational direction, and the Chairman, who represents the company's historical legacy, knowledge, and experience. In a horizontal organization like Pafasystem's, the role of trusted collaborators with significant expertise in key roles is crucial, as they are essential to competitiveness and business continuity.

With regard to organization, the company is implementing a **new organizational model** aimed at increasing efficiency, minimizing waste of both materials and time, and having significant positive effects on workplace safety and well-being. The reference model, which will be fully implemented in next year's course, is **Visual Management**, one of the most appreciated tools for implementing Lean Production.

The auditing body consists of a sole statutory auditor.

To address sustainability-related matters, Pafasystem has appointed an ESG Manager, responsible for facilitating communication between the Governing Body, employees, and stakeholders.

The ESG Manager is also tasked with promoting the implementation of ESG policies and action plans and, when necessary, reporting to the Governing Body the need to acquire further ESG-related competencies.



Integrity and Legality.

Pafasystem is committed—through its daily actions and decisions—to respecting individuals, organizations, civil society, and applicable laws. We are equally committed to rejecting and discouraging all forms of corruption, maintaining a strict zero-tolerance approach toward any kind of illegal activity. We are dedicated to ethical behavior and to promoting values of integrity and loyalty, which guide our work every day.

In 2025, there were no confirmed cases of corruption and no whistleblower reports received.

Objectives and Monitoring

In relation to legal compliance, we have set the following objectives:

- Assess the implementation of an Organizational Model pursuant to Legislative Decree 231/2001;
- Introduce a Code of Ethics to formalize and promote ethical conduct within the company;
- Implement formal measures to protect whistleblowers, based on a thorough and well-informed assessment of risks and potential offenses.

These objectives will be monitored and evaluated using the following KPIs:

- **Number and type of whistleblower** reports received;
- **Number of sanctions** related to legal proceedings.

Pafasystem's commitment to legality and regulatory compliance is further demonstrated by the absence of any non-compliance with laws or regulations during the reporting period.

We bring innovation, quality, and safety to the industries that choose Pafa.

5.

Value Creation and Knowledge Sharing



Value Creation.

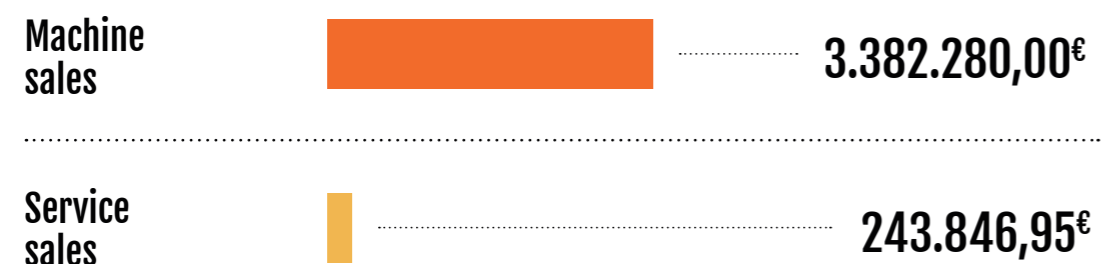
Pafasystem is committed — through its vision, strategic decisions, organizational structure, and daily operations — to achieving goals that create value, ensuring the long-term sustainability and continuity of our business.

Value creation also generates **positive economic and social impacts** for our stakeholders and the region in which we operate.

These impacts are reflected in the strength of our relationships, contributing to **mutual connections and influence** between the company and key socio-economic actors.

Business and Revenue

Below are the key figures from our income statement, highlighting the company's main sources of revenue:



Knowledge Sharing and Community Engagement

We have always recognized the important social role of the company as a space where knowledge is not only applied but developed, enriched, and shared.

We believe that looking to the future means investing in **new generations**, supporting their educational journeys and their transition from school to the world of work.

Pafasystem is committed to **playing an active role** in this process. For many years, we have collaborated with local **technical and industrial training institutes**, promoting new forms of partnership or participating in institutional programs supported by regional authorities..

Key initiatives undertaken in 2025 include:

- Opening our production facility for **guided visits by local technical schools**
- Offering **curricular internship opportunities for students**

- **Cooperation with the french school** Lycee La Martiniere – Lione

These initiatives have allowed participants to engage with a real industrial environment and gain **first-hand technical knowledge** of advanced textile machinery production, guided by our most experienced experts.

We are proud to contribute to the **growth and education of young people**, and we will continue to **foster dialogue with educational institutions** and local communities to identify new opportunities that generate **high positive impact** for society.

Stakeholders are at the heart of our vision.

6.

Stakeholders: Human Capital.

Our ongoing commitment is to ensure that, alongside the pursuit of the company's economic well-being, there is also space for a higher purpose.

This is why we strive to create a **positive work environment** – human-centered spaces where well-being is also perceived as the ability to experience the workplace **calmly and armoniously**.



We pursue continuous improvement in all areas of the company: we invest in modernizing our facilities, upgrading equipment, offering professional development, and improving communication and transparency with all stakeholders — including employees, customers, and suppliers.

In 2025, we introduced a new machine tool, replacing a very old one. This machine tool met Industry 5.0 requirements and benefited from INPS funding as it was deemed worthy of improving worker safety.

We also significantly improved the production department by channeling all new and older machine tools into a single extraction system, with fume filtering and external exhaust, thus ensuring completely clean air throughout the entire production facility.

Our goal for next year is to install green areas within the production facility to make the work environment more pleasant, stimulate creativity and attention to detail, and improve temperature and air quality.



Our People.

Pafasystem is strongly committed to fostering a positive and respectful work environment, built on transparency, environmental sustainability, and fair and ethical relationships with workers — with full respect for gender equality and human rights.

Discrimination of any kind is not tolerated, and all actions — internal or external — must reflect **inclusiveness and harmony**.

To improve the mental and physical well-being of our employees, we have offered a free yoga and Pilates class with a qualified instructor again this year, as in 2024. This initiative, in addition to contributing to the physical well-being of participants, positively influences the overall work environment by reducing potential sources of stress.

Next year, we intend to expand the area dedicated to employee breaks, lunch breaks, and so on, by adding a ping pong table to the existing football table.


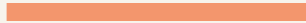
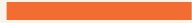
All employees at Pafasystem are **directly hired** under the national **Metalworking Industry Collective Agreement**. Staff are appropriately classified and qualified for their roles. We ensure **fair compensation** and are **punctual in salary payments**.

In the reporting year, there were no incidents or sanctions related to:

- Payslip accuracy and salary payment punctuality;
- Discrimination, harassment, or intimidation;
- Complaints from customers.


PERSONNEL COMPOSITION

Male Employees

18-29 years		4
30-50 years		6
+50 years		3

Total Male Employees: 13

Female Employees

18-29 years		0
30-50 years		0
+50 years		1

Total Female Employees: 1

As we strive for continuous improvement over the coming years, we have set ourselves goals to be achieved and monitored using measurable KPIs.

Objectives for Continuous Improvement:

- Increase the number of training hours provided to employees
- Introduce new employee welfare initiatives within the next five years

KPIs to Monitor Progress:

- Workforce data, particularly gender ratio and turnover rates
- Training hours delivered, broken down by type
- Employee satisfaction

	Male	Female	TOT
Permanent Contract	11	1	12
Internship	0	0	0
Apprenticeship	1	0	1
Total Employees:	14		

Our Suppliers.

Building and maintaining strong relationships is equally important for Pafasystem in our dealings with suppliers, many of whom have been long-term partners.

Having a reliable network of historic suppliers is the result of years of mutual respect, where each supplier has been treated as a **valuable collaborator** – and where agreements, people, and shared actions are highly valued.

This represents a **significant asset** for our company. Pafasystem selects suppliers based on multiple factors: beyond pricing, we emphasize **shared ethical and sustainability values**, along with **professionalism, reliability, product compliance, and quality**.

In order to improve in this area, we have identified the objectives to be measured and monitored, along with the related KPIs.

Objectives:

- **Increase the exchange of information with key suppliers** on sustainability-related issues
- **Collect data on the number of suppliers** who hold environmental and social certifications

KPI

- **Number of certified suppliers;**
- **Average number of days to complete payments.**

The supply chain and the strong relationships built over the years are a valuable asset for a lean company like Pafa.

Safety is a central issue that demands our full attention.

7.

Safety.

Health and safety is a central issue that demands our full attention.



Health and Safety for Workers.

We recognize the need for a systematic and continuous approach to managing this topic and have chosen to actively commit ourselves to achieving reasonable and ongoing improvements in health and safety conditions related to our activities.

For this reason, we adopt a systemic approach that helps us clearly define the roles, responsibilities, hazards, and risks to which each worker is exposed while performing their tasks.

We prepare and update the **Risk Assessment Document (DVR)** in collaboration with the **Health and Safety Officer (RSPP)**, the occupational physician, and the **Workers' Safety Representative (RLS)**.

Together, we plan objectives and update them based on the results of periodic monitoring.

We promote a culture of safety through training and information activities in compliance with regulations, carried out with the support of qualified external professionals and experts.

As required by the company's health protocol, all workers undergo medical examinations.

We are taking climate change into account and, to ensure the health of our staff in the event of rising average temperatures and heat waves, are adjusting our working hours to favor activities during the cooler hours of the day, as already established in July of this year.

Regarding its impact on safety, we are announcing the replacement of an obsolete machine tool—which was scrapped—with a new, modern, and efficient one, both from a production standpoint and for improved safety and working conditions for our workers. In addition, we have invested in completing the extraction system for oily fumes from processing: currently, all machine tools are closed, allowing the aforementioned system to extract the fumes, which are then filtered and released into the atmosphere. This keeps the air inside the plant completely clean.

Our health and safety policy can be summarized as follows:

- Compliance with current legislation and any other safety and health obligations undertaken by the organization is a **top priority**;
- **Preventive actions** and internal investigations to protect workers' health and safety are prioritized to significantly reduce the likelihood of accidents and occupational diseases;
- Information about workplace risks is provided to all workers, and training is delivered and updated with specific reference to the tasks performed;
- Workers are consulted, including through their safety representatives, on health and safety matters;
- All workers are trained, informed, and made aware to safely perform their assigned duties;
- Measurable objectives are defined for the continuous improvement of health and safety in the workplace;
- Objectives and related implementation plans are communicated to all interested parties;
- The organizational structure participates, within its powers and competences, in achieving assigned safety objectives;
- Machine design, equipment, workplaces, operating methods, and organizational aspects are developed to safeguard the health of workers, third parties, and the community in which the company operates;
- Rapid and effective responses are guaranteed to emerging needs during work activities;
- Cooperation between various company resources is promoted, along with collaboration with business organizations and external competent bodies.

Below are the data related to health and safety training provided and workplace accidents recorded during the reporting year.

Continuous Improvement Objectives:

- Improve the system for detecting hazardous situations to identify further opportunities for improvement;
- Evaluate the potential achievement of **ISO 45001 certification**.

Health and Safety at Work

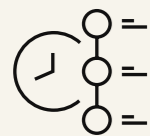
This data relates to health and safety training provided and accidents that occurred during the reference year.



Workplace Accident

Number of accidents occurring in the workplace during the year

..... 0



Frequency Rate

The frequency rate is calculated using the following formula:

Frequency Rate

$$\frac{\text{Total Number of accidents}}{\text{Total hours worked}} \times 100.000$$

..... 0,0



Severity Rate

The severity rate is calculated using the following formula:

Severity Rate

$$\frac{\text{Total lost workdays}}{\text{Total hours worked}} \times 100.000$$

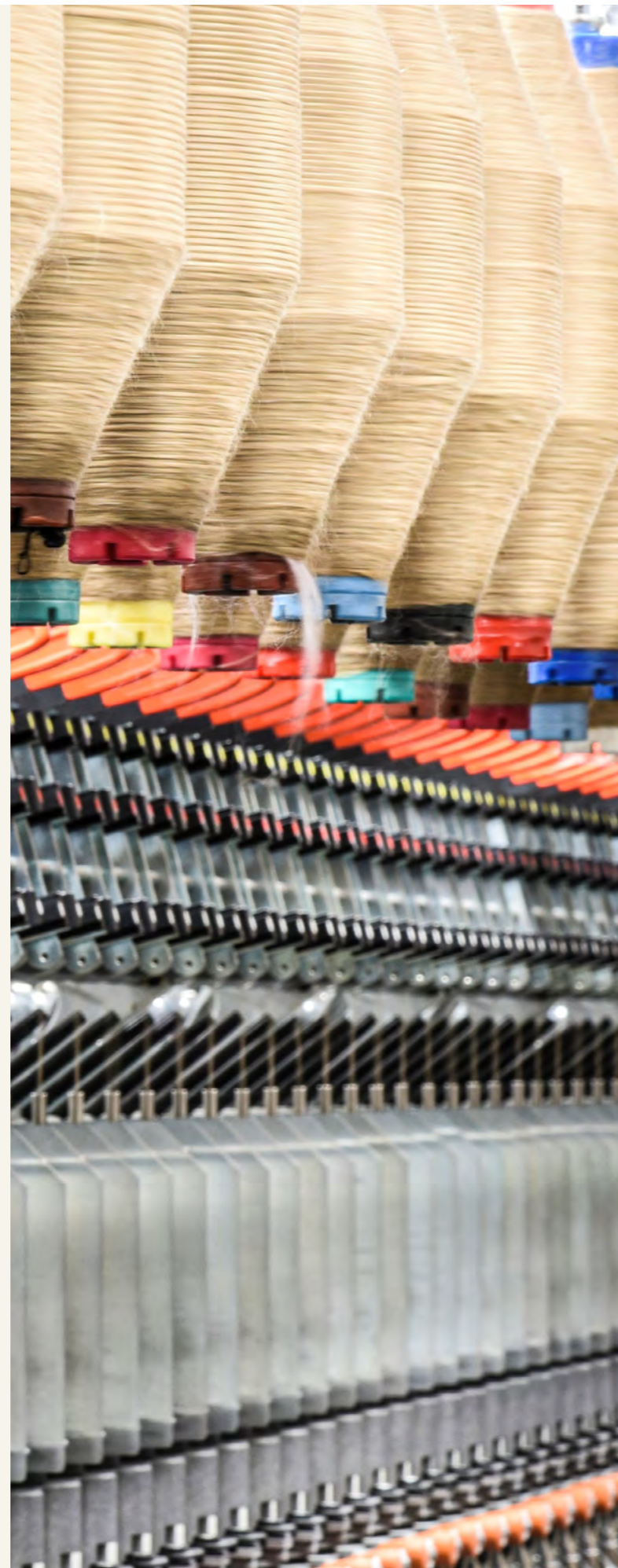
..... 0,0



General Training

Total number of general training hours provided to all employees

..... 64



Safety for End Users

Safety is also a crucial issue for the operators using Pafa machinery.

Safety is also a crucial issue for the operators using Pafa machinery.

This aspect is carefully managed during various stages of the production process: from design to installation at the customer's site, training, and supporting correct use to avoid machine downtime.

To this end, we provide our customers with an assistance service guaranteeing a response within 24 hours. The assistance service includes consultancy, training, remote support, and on-site interventions.

Our extensive spare parts network ensures that Pafa machinery remains operational and efficient over the long term, avoiding premature replacement or disposal

To improve monitoring of this topic, we are committed to further formalizing procedures for managing complaints and recalls to ensure end-user safety.

We note that no complaints were reported during 2025.

KPIs to monitor:

- Number of complaints received.

We have only one planet, and we want every single choice we make each day to contribute to its improvement.

8.

Environmental Awareness.

Being attentive to the environment means adopting an environmental policy to ensure sustainable development that protects future generations, but it also means contributing to the growth of community well-being through balanced environmental management.

Our Environmental Policy is based on a coherent set of principles to which every objective, action, and goal in environmental management must refer.



Environmental Awareness

Compliance with environmental legislation

Ensure compliance with environmental laws and other relevant provisions through access to, identification of, evaluation, and monitoring of every new regulation.

Continuous improvement of environmental performance and prevention

In 2025, we installed our first photovoltaic system. Modern photovoltaic panels with a capacity of 60 kW were installed on the roof of the company facility, while the control and hardware components and batteries were installed in a dedicated technical room within the company for improved storage and maintenance.

Environmental culture and professional growth

Develop a sense of responsibility toward the environment at every level through adequate knowledge of environmental aspects with initiatives in information, training, and education. To this end, we formally commit to ensuring that the Environmental Policy is understood, implemented, and supported by all employees, including those outside the organization.

Collaboration with stakeholders

Collaborate with all stakeholders in compliance with territorial governance policies to promote dialogue, transparency, and shared participation, providing a contribution proportional to each party's role and prerogatives.

Management of environmental impacts

Monitor and, where possible, reduce company atmospheric emissions; control waste production and disposal, seeking to reduce quantity and hazardousness wherever possible; analyze and optimize energy and water consumption; promote environmentally responsible behavior among suppliers and customers.

New Projects

The goal for next year is to upgrade the heating and cooling system to reduce current consumption and improve atmospheric emissions, along with, if possible, expanding the recently installed photovoltaic system to the maximum power possible for our facility.

Management is committed to keeping this Environmental Policy active and periodically reviewing it based on changes in the environmental, socioeconomic, and institutional context.

Environmental Indicators

Electricity Consumption



Consumption

100,79 MWh



Revenue Intensity

27,69 MWh/Mln€

Electricity consumption is primarily attributable to the machinery used in the production process. Only a minimal portion of electricity use is related to administrative and office activities.

Natural Gas consumption



Consumption

21.294 Smc



Revenue Intensity

5.859 Smc/Mln€

Natural gas consumption derives exclusively from the company's heating system, which serves both the administrative offices and the production department.

Fuel consumption



Consumption

Petrol 333,36 L

Diesel fuel 464,06 L



Revenue Intensity

Petrol 91,57 L/Mln€

Diesel fuel 127,47 L/Mln€

The data presented below refer to fuel consumption for the year 2025, broken down by the respective fuel types.

Water Withdrawals



Consumption

350 Mc



Revenue Intensity

96,14 mc/Mln€

Corporate water consumption is primarily attributable to civil use, specifically for sanitary and hygiene services.

CO₂ equivalent emissions and relative intensity on turnover.

The consumption figures presented above **correspond to total CO₂ equivalent emissions of 77.89 tonnes** (the conversion calculations refer to international standards based on the IPCC – the Intergovernmental Panel on Climate Change). To better understand where these emissions originate, and to enable targeted measures to be taken, it was decided to divide the total emissions into the three scopes identified by the GHG Protocol:

- **Scope 1**
This covers direct greenhouse gas emissions produced by sources that are owned or directly controlled by the organisation, including emissions from company vehicles, internal production processes, and the heating systems of its facilities;
- **Scope 2**
This concerns indirect greenhouse gas emissions associated with the production of electricity, heat or steam purchased from third parties and used by the organisation.
- **Scope 3**
This is the broadest of the three scopes, including all indirect greenhouse gas emissions associated with the organisation's activities that occur outside its direct control. These emissions can originate from various sources, including raw material suppliers, employee transportation, the production of purchased goods, and waste disposal.

For this category, only Well-to-Tank (WTT) emissions have been considered, i.e., emissions associated with the extraction, processing, and distribution of fuels prior to their actual use.



CO₂ consumption

Scope 1 45,03 tCO₂eq

Scope 2 24,37 tCO₂eq

Scope 3 0,62 tCO₂eq

Total CO₂ emissions generated by the Organization during the year

In accordance with legislative requirements, the Organization's greenhouse gas emissions are presented below, expressed in relation to 2025 revenue.



Revenue Intensity

Scope 1 12,37 tCO₂eq/Mln€

Scope 2 6,69 tCO₂eq/Mln€

Scope 3 0,17 tCO₂eq/Mln€

Ratio of total CO₂ emissions to company revenue (tCO₂eq / € revenue)



9.

Double materiality analysis.

Pafasystem conducted a materiality analysis according to the principles of double materiality set out in the ESRS. This analysis enabled the identification of the key ESG issues that will inform sustainability reporting and subsequent action plans.

This analysis also included a specific evaluation of the risks associated with acute and chronic climate events. This focused on climate scenarios that could occur in the territory in which the company operates.

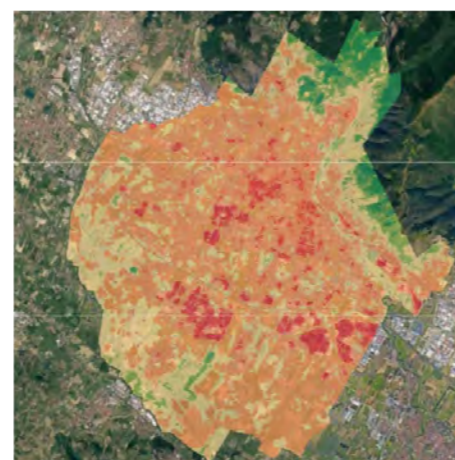
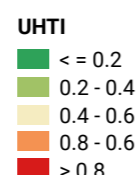
During the study, acute and chronic risks associated with climate change were examined and identified.

- **Acute risks** include sudden and extreme events such as storms, floods and heatwaves.
- **Chronic risks**, on the other hand, relate to long-term changes such as rising average temperatures, altered precipitation patterns, and rising sea levels.

The results of this assessment are presented in the following section. Only risks that are relevant to the organisation are shown.

The figure shows the microclimatic vulnerability map of the Prato area.

It highlights how industrial and commercial areas, where surfaces with lower albedo values prevail, have a higher UHTI (Urban Heatwave Thermal Index).



Source: PAESC City of Prato

Climate Indicators

Summary of trends in maximum temperature climate indices

	Index	Trend	Statistical Significance
SU25	Summer Days	+0,53gg/24 years	- (nothing)
SU30	Hot Days	+1,06gg/24 years	0,25 (low)
TXx	Maximum of the maximum temperatures	+0,07°C/24 years	0,14 (low)
TXn	Minimum of Maximum Temperatures	+0,03°C/24 years	- (nothing)
WSDI	Heatwave Duration	+0,65gg/24 years	- (nothing)

The table shows the information specified in the paragraph entitled 'Chronic Risks' in the section entitled 'Changes in Temperature'.

	Category	Possible Impacts	Vulnerability and Probability Analysis
Acute Risks	Heatwave	Significant health risks for employees. Possible machinery downtime due to excessive heat and/or overloads.	The number of days with high maximum temperatures (indices SU25 and SU30), as well as in both the maximum and minimum monthly peak temperatures. The duration of extreme heat periods (heatwaves) also displays a significant increasing trend.
	Storm / Hail / Tornado	Potential damage to company premises, with possible operational interruptions in the event of severe damage.	In recent years, the Tuscany region has experienced a notable increase in extreme weather events, particularly hailstorms and tornadoes.
	Heavy rainfall / Flooding / Inundations	Possible flooding of company premises, with damage to machinery and infrastructure. Risks to personnel safety are considered limited.	Although the annual total precipitation shows no significant variation, the frequency and intensity of heavy rainfall events have increased, as an induced effect of climate change. Historical precipitation data (1997–2020) indicate a rise in events classified as intense downpours (10–30 mm/h). The municipality of Prato is subject to flood episodes (e.g., 2024 event). The company's premises are located in a low hydraulic hazard area, both for fluvial and pluvial flooding. However, there remains a residual risk associated with soil impermeabilization in the industrial area where the facility is located.
Chronic Risks	Temperature Variations	Employee discomfort and potential machinery malfunctions	The same indicators of maximum temperature trends show an overall increase in the number of high-temperature days (indices SU25 and SU30), as well as in both maximum and minimum monthly peak temperatures. The duration of extreme heat periods (heatwaves) is also showing a significant upward trend.
	Soil Degradation	Formation of urban heat islands, with effects comparable to heatwave conditions.	The company is located in an industrial area of Prato, characterized by a high degree of surface impermeabilization and exposure to urban heat island phenomena. The Urban Heatwave Thermal Index (UHTI) for the area ranges between 0.6 and 0.85, indicating significant thermal stress conditions.

1. PAESC Municipality of Prato ed. 2025, pp. 216–217
2. City Climate Map - Legambiente
3. PAESC Municipality of Prato ed. 2025, pp. 226, 244-245, 252
4. PAESC Municipality of ed. 2025, p. 216-217
5. PAESC Municipality of ed. 2025, p. 262

Results: Double Materiality Analysis

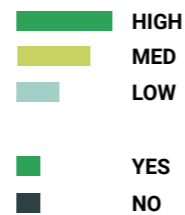
The double materiality analysis requires that each of the topics indicated in ESRS 1 be analysed according to two approaches:

- Materiality of impact:** the impacts that the organisation produces or has contributed to producing through its activities in relation to one of the identified issues.; risks and opportunities, and the likelihood of their materialisation. Issues with a high impact and issues that could generate significant risks or opportunities were then identified on a scale of "high", "medium" and "low".
- Financial materiality:** the capacity of an identified issue to trigger risks or opportunities for the organisation's economic results and development prospects. Only issues that obtained a significant level in both materiality criteria were selected for reporting.

For each issue reported, the possible impacts, risks and financial opportunities were analysed, considering the magnitude of the stakeholders involved, the positive or negative extent of these impacts,

The analysis methods are described in the specific Risk Assessment procedure that the organisation has drawn up and which is available to interested parties upon request.

ENVIRONMENT



Topic	Sub-Topic	Impact Materiality	Financial Materiality	Double Materiality
E1 Climate Change	Adaptation to climate change	LOW	HIGH	NO
	Mitigation of climate change	MED	HIGH	NO
	Energy	MED	HIGH	NO
E2 Pollution	Air pollution	LOW	LOW	NO
	Water pollution	LOW	LOW	NO
	Soil pollution	LOW	LOW	NO
	Pollution of food resources and living organisms	LOW	LOW	NO
	Substances of concern and substances of very high concern (SVHC)	LOW	LOW	NO
E3 Water and Marine Resources	Water withdrawal	LOW	LOW	NO
	Water consumption	LOW	LOW	NO
	Water use	LOW	LOW	NO
	Water discharges into water bodies, seas and oceans	LOW	LOW	NO
	Habitat degradation and pressure on marine resources	LOW	LOW	NO
	Direct impacts on biodiversity loss	LOW	LOW	NO
E4 Biodiversità ed Ecosistemi	Impacts on species	LOW	LOW	NO
	Impacts on the condition and extent of ecosystems	LOW	LOW	NO
	Impacts on and dependence upon ecosystem services	LOW	LOW	NO
E5 Circular Economy	Resource inputs and resource use	LOW	LOW	NO
	Resource outputs related to products and services	HIGH	HIGH	YES
	Waste	LOW	LOW	NO

Results: Double Materiality Analysis

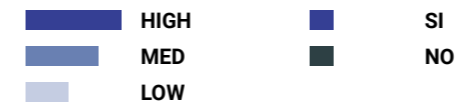
SOCIAL



Topic	Sub-Topic	Impact Materiality	Financial Materiality	Double Materiality
S1 Own Workforce	Working conditions	HIGH	HIGH	YES
	Equal treatment and equal opportunities	HIGH	MED	YES
	Other labour-related rights	HIGH	MED	YES
S2 Workers in the Value Chain	Working conditions	LOW	LOW	NO
	Equal treatment and equal opportunities	LOW	LOW	NO
	Other labour-related rights	LOW	LOW	NO
S3 Affected Communities	Economic, social and cultural rights of the community	HIGH	HIGH	NO
	Civil and political rights of the community	LOW	LOW	NO
	Specific rights of indigenous communities	LOW	LOW	NO
S4 Consumers and End Users	Impacts related to information provided to consumers and/or end users	LOW	LOW	NO
	Personal safety of consumers and/or end users	MED	MED	YES
	Social inclusion of consumers and/or end users	LOW	LOW	NO

Results: Double Materiality Analysis

GOVERNANCE



Topic	Sub-Topic	Impact Materiality	Financial Materiality	Double Materiality
G1 Own Workforce	Corporate culture	LOW	MED	NO
	Whistleblower protection	MED	MED	SI
	Animal welfare	LOW	LOW	NO
	Political engagement and lobbying activities	LOW	LOW	NO
	Supplier relationship management and payment practices	MED	HIGH	SI
	Corruption and bribery	MED	HIGH	SI

Results: Double Materiality Analysis

Topic	Sub-Topic	Related Risk/Impact
E1 Climate Change	Adaptation to climate change	<ul style="list-style-type: none"> Impacts limited due to the company's size. Financial risks linked to the need for significant investments to reduce environmental impact. Opportunities related to the sale of energy-efficient machinery. Impacts associated with improving the energy efficiency of company facilities. Financial risks linked to rising energy procurement costs.
	Mitigation of climate change Energy	
E5 Circular Economy	Resource outputs related to products and services	<ul style="list-style-type: none"> Positive impacts associated with the end-of-life stage of machines (high recyclability rate) and the availability of spare parts. This generates financial opportunities linked to enhanced market competitiveness.
S1 Own Workforce	Working conditions	<ul style="list-style-type: none"> Partial non-compliance with current occupational health and safety regulations. Difficulties in retaining and attracting qualified personnel. Risks of discrimination, harassment, intimidation and bullying.
	Equal treatment and equal opportunities Other labour-related rights	
S3 Affected Communities	Economic, social and cultural rights of the community	<ul style="list-style-type: none"> The organization actively collaborates with local educational institutions. Financial opportunities arise from an enhanced corporate image and from the creation of know-how and training for individuals who may, in the future, join the organization's workforce.
S4 Consumers and End Users	Personal safety of consumers and/or end users	<ul style="list-style-type: none"> Impacts related to the safety of the machines sold. Potential risks arising from legal actions due to machine defects that could cause accidents.
G1 Own Workforce	Whistleblower protection	<ul style="list-style-type: none"> Failure to implement whistleblowing procedures and protection measures for whistleblowers, with the associated risk of sanctions. Difficulties in procurement, leading to potential disruptions in operational continuity. Unintentional involvement in corruption or bribery incidents, with possible repercussions on business continuity, reputational damage, and loss of contracts or partnerships.
	Supplier relationship management and payment practices Corruption and bribery	





Methodological Note.

The Sustainability Report produced by Pafasystem presents to all stakeholders, in accordance with the current provisions of the CSRD directive and the ESRS (European Sustainability Reporting Standards), the ESG results achieved during the reporting year.

The collection of information and data included in the Sustainability Report was carried out with the involvement and collaboration of all relevant stakeholders. Everyone's contribution, according to their area of expertise, generated an information flow that enabled the development of this report.

The Sustainability Report is approved by the Governing Body, which endorses both its contents and purpose. Unless otherwise specified, all data used for the calculations presented in this document are to be considered actual, non-modeled data.

Reporting Scope

The reporting scope includes:

- the entire organization
- the headquarters located at Via Ettore Strobino, 24 - 59100 Prato (PO)

Period Analysed

The Sustainability Report is published annually. As for the reporting period, the data and information contained in the report refer to the company's performance during the year 2025 (from 01/01/2025 to 31/12/2025).

Main Regulatory References.

This report is based on the themes and definitions set out in ESRS 1 and 2.

DEVELOPMENT GOALS (SDGS)

The 2030 Agenda for Sustainable Development is an action plan for people, the planet, and prosperity, signed in September 2015 by the governments of the 193 UN member states.

REGULATION UE 2022/2464

Of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No. 537/2014, Directive 2004/109/EC, Directive 2006/43/EC, and Directive 2013/34/EU as regards corporate sustainability reporting.

ESRS – EUROPEAN SUSTAINABILITY REPORTING STANDARDS

On 22 November 2022, the European Financial Reporting Advisory Group (EFRAG) submitted to the European Commission the first set of European Sustainability Reporting Standards (ESRS), which aligned key concepts and definitions, collecting and harmonizing reporting requirements to ensure adequate coverage of the topics set out in the Corporate Sustainability Reporting Directive (CSRD).

REGULATION UE 2019/2088

Regulation of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector.

REGULATION UE 2020/852

Regulation of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088

COMMISSION DELEGATED ACT EU 2139/2021

Supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council, setting out the technical screening criteria to determine under which conditions an economic activity can be considered as contributing substantially to climate change mitigation or adaptation, and whether it does not significantly harm any other environmental objective.

11.

Main regulatory references.

COMMISSION DELEGATED ACT EU 2178/2021

Commission delegated act supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council, specifying the content and presentation of the information that companies subject to Article 19a or Article 29a of Directive 2013/34/EU must disclose regarding environmentally sustainable economic activities, and laying down the methodology for complying with this disclosure obligation.

REGULATION UE 1818/2020

Commission delegated act supplementing Regulation (EU) 2016/1011 of the European Parliament and of the Council, as regards minimum standards for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks

COMMISSION DELEGATED ACT UE 2023/2486

Supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining under which conditions an economic activity may be considered to contribute substantially to the sustainable use and protection of water and marine resources, the transition to a circular economy, the prevention and reduction of pollution, or the protection and restoration of biodiversity and ecosystems, and whether such activity does not cause significant harm to any other environmental objective; and amending Delegated Regulation (EU) 2021/2178 with regard to the public disclosure of specific information related to such economic activities.

GREENHOUSE GAS (GHG) PROTOCOL

Constitutes an international standard for greenhouse gas accounting, serving as a comprehensive framework for organizations worldwide. It provides tools and methodologies for the measurement, calculation, and reporting of greenhouse gas emissions, thereby supporting transparent and consistent climate-related disclosures.

GLOBAL LOGISTICS EMISSIONS COUNCIL (GLEC) FRAMEWORK ISO 26000 LAW

It represents a critical instrument for the identification of key performance indicators (KPIs) related to CO² emissions. It supports organizations in contributing to sustainable development by promoting a shared understanding of social responsibility, encouraging actions that go beyond mere legal compliance

REGULATION UE 2022/1288

It defines the content, methodologies, and format of the information to be disclosed regarding sustainability indicators and principal adverse impacts, as well as the promotion of environmental or social characteristics and sustainable investment objectives within pre-contractual documentation, web disclosures, and periodic reporting.

GUIDE LINES EBA

The applicable provisions establish that credit institutions must integrate environmental, social, and governance (ESG) factors, along with the associated risks, into their credit risk appetite frameworks and risk assessment procedures, particularly in relation to the impact of environmental factors and climate change.



12.

Topics and Definitions.

Actions

Actions or action plans that the Organization intends to implement in order to achieve its set objectives, and through which it aims to manage material impacts, risks, and opportunities.

Value Chain Members

These are individuals or entities upstream or downstream of the Organization's value chain. Members are considered **downstream** when they receive the Organization's services or products as input. Members are considered **upstream** when they provide their own services or products as input to the Organization.

Business Relationships

Relationships between the Organization and its partners, value chain members, and any other entities connected to the Organization.

Disclosure Content

A disclosure content defines the required information that the company must include when

reporting on policies, actions, or objectives, in accordance with a disclosure requirement under an ESRS (European Sustainability Reporting Standards) or based on entity-specific standards.

Double Materiality

Double materiality has two dimensions: **impact materiality** and **financial materiality**. A sustainability matter meets the criteria for double materiality if it is material from an impact perspective, a financial perspective, or both.

Financial Materiality

A sustainability matter is financially material if it causes or may cause significant financial effects on the company.

Impact Materiality

A sustainability matter is material from an impact perspective when it involves actual or potential, positive or negative material impacts of the company on people or the environment over short-, medium-, or long-term time horizons. A sustainability matter that is materially impactful includes impacts that are caused or contributed to by the company, as well as impacts directly linked to the company's operations, products, and services through its business relationships.

Metric

Qualitative and quantitative indicators used by the company to measure and report on the effectiveness of its sustainability policies and progress toward its objectives over time. Metrics also support the measurement of the company's outcomes in relation to affected people, the environment, and the company itself.

Policy

A policy is a set or collection of overarching objectives and management principles that the company uses in its decision-making processes. A policy implements the company's strategy or management decisions related to a material sustainability matter. Each policy is under the responsibility of designated individuals, defines its scope of application, and includes one or more objectives (linked, where applicable, to measurable targets). A policy is validated and reviewed in accordance with the applicable governance standards of the company. It is implemented through actions or action plans.

Gravità di un Impatto Negativo

The severity of a negative impact is determined by: (i) **Scale** – how serious the impact is; (ii) **Scope** – the extent or spread of the impact; and (iii) **Irremediable character** – whether, and to what extent, the negative impacts can be remedied, i.e., whether the affected environment or people can be restored to their previous state.

Stakeholder

Stakeholders are parties who can affect or be affected by the company.

There are two main stakeholder groups:

- **Affected stakeholders:** individuals or groups whose interests are or could be affected, positively or negatively, by the company's activities and its direct and indirect business relationships across the entire value chain;
- **Users of sustainability statements:** primary users of general-purpose financial reporting (existing and potential investors, lenders, and other creditors, including asset managers, credit institutions, and insurance companies), as well as other users such as the company's business partners, trade unions and social partners, civil society and non-governmental organizations, governments, analysts, and academics.

Some stakeholders, though not all, may belong to both groups.

Sustainability Matters

The dedicated section of the company's management reporting where sustainability matters are presented in accordance with the CSRD (Corporate Sustainability Reporting Directive) and the ESRS (European Sustainability Reporting Standards)..

Supply Chain

The full range of activities or processes carried out by upstream entities of the company that supply products or services used in the development of the company's own products or services. This includes upstream entities with which the company has a direct relationship (often referred to as tier 1 suppliers) or an indirect business relationship.

Objectives

Measurable, results-oriented targets that the company aims to achieve in relation to material impacts, risks, or opportunities.

Transition Plan

A transition plan is a specific type of action plan adopted by the company in relation to a strategic decision, and it concerns:

- a public policy objective;
- an entity-specific action plan organized as a structured set of objectives and actions, associated with a key strategic decision, a significant change in the business model, and/or particularly important actions and allocated resources.

Value Chain

The value chain encompasses the full range of activities, resources, and relationships related to the company's business models and the external environment in which it operates. A value chain includes the activities, resources, and relationships that the company uses to create its products or services – from conception to delivery, consumption, and end-of-life. These activities, resources, and relationships include:

- those within the company itself, such as human resources;
- those across its supply, marketing, and distribution channels, such as sourcing of materials and services, and

the sale and delivery of products and services;

- the financial, geographic, geopolitical, and regulatory contexts in which the company operates.

The value chain includes entities (or actors) both **upstream** and **downstream** of the company. **Upstream entities** (e.g., suppliers) provide products or services used in the development of the company's own products or services. **Downstream entities** (e.g., distributors, customers) receive the company's products or services.

Business Model

The system adopted by the organization to transform inputs into outputs through its activities and to achieve its strategic objectives by creating value in the short, medium, and long term. An organization may have multiple business models.

Administrative Body

An individual or group of individuals who, from the highest level of the organization, lead and oversee it. This refers to the body with the highest decision-making authority (e.g., CEO or equivalent).

Fossil Fuel

Fossil fuels are non-renewable, carbon-based energy sources such as solid fuels, natural gas, and oil.

Governance

The system by which the company is directed and controlled in the interest of shareholders and other stakeholders. Governance involves a set of relationships between the company's management,

its Board of Directors, its shareholders, and other stakeholders. It provides the structure and processes through which the company's objectives are set, performance is monitored, and results are evaluated. The term “**governance bodies**” refers to the administrative, management, and supervisory bodies with the highest decision-making authority within the company

Sustainability Impacts

The effect that the company has or could have on the environment and on people, including impacts on their human rights, as a result of the company's activities or business relationships. Impacts can be actual or potential, negative or positive, short- or long-term, intentional or unintentional, reversible or irreversible. Impacts reflect the company's contribution, either negative or positive, to sustainable development.

Strategy

The company's plan to achieve its mission and vision and to apply its core values. It incorporates the set of objectives or purposes that the company defines in terms of providing specific products and services for certain categories of customers, in specific geographical areas, within a defined framework of relationships with all stakeholders.

Financial Effects

A sustainability matter has financial effects on the company when it generates risks or opportunities that influence (or may influence) the company's cash flows, performance, position, development, cost of capital, or access to financing over short-, medium-, and long-term time horizons.

Sustainability-Related Financial Opportunities

Sustainability-related financial opportunities are uncertain environmental, social, or governance events or conditions that, if they were to occur, could result in a potentially significant positive effect on the company's business model, strategy, ability to achieve its goals and targets, and to create value. These opportunities may also influence the sustainability-related decisions of the company and its business partners. Like any other opportunity, sustainability-related opportunities are measured as a combination of the magnitude of the impact and the likelihood of occurrence.

Sustainability-Related Financial Risks

Sustainability-related financial risks are uncertain environmental, social, or governance events or conditions that, if they were to occur, could result in a potentially significant negative effect on the company's business model, strategy, sustainability strategy, ability to achieve its goals, and to create value. These risks may therefore influence the company's decisions and those of its business relationships in relation to sustainability. As with any other risk, sustainability-related risks are assessed as the combination of the magnitude of the impact and the likelihood of occurrence



Correlation Table

GENERAL DISCLOSURE

ESRS REF.	DISCLOSURE REQUIREMENTS	DESCRIPTION	DOCUMENT REF.
ESRS 2	BP-1	General basis for the preparation of the sustainability statement.	Ch. 1
	BP-2	Disclosure in relation to specific circumstances.	Ch. 1
	GOV-1	Role of the administrative, management and supervisory bodies.	Ch. 5
	GOV-2	Information provided to the administrative, management and supervisory bodies and sustainability-related matters.	Ch. 5
	GOV-3	Integration of sustainability performance into incentive schemes.	Ch. 11
	GOV-4	Statement on due diligence.	Ch. 5/ 6/ 7
	GOV-5	Risk management and internal controls over sustainability reporting.	Ch. 5/ 7
	SBM-1	Strategy, business model and value chain	Ch. 11
	SBM-2	Interests and viewpoints of stakeholders.	Ch. 6
	SBM-3	Material impacts, risks and opportunities and their interaction with the strategy and business model.	Ch. 7
	IRO-1	Description of the process for identifying and assessing material impacts, risks and opportunities	Ch. 7
	IRO-2	Disclosure requirements in the ESRS covered by the company's sustainability statement	Ch. 7

13.

ENVIRONMENT

ESRS REF.	DISCLOSURE REQUIREMENTS	DESCRIPTION	DOCUMENT REF.
ESRS E1	E1 GOV-3	Integration of sustainability performance into incentive schemes	Ch. 5
	E1-1	Transition plan for climate change mitigation	Ch. 8/ 9
	E1 SBM-3	Material impacts, risks and opportunities and their interaction with the strategy and business model	Ch. 7/ 9
	E1 IRO-1	Description of the processes for identifying and assessing significant climate-related impacts, risks and opportunities	Ch. 5
	E1-2	Policies related to climate change mitigation and adaptation	Ch. 8/ 9
	E1-3	Actions and resources related to climate change policies	Ch. 9
	E1-4	Targets related to climate change mitigation and adaptation	Ch. 9
	E1-5	Energy consumption and energy mix	Cap. 9
	E1-6	Scope 1, 2 and 3 GHG emissions and total emissions	Cap. 9
	E1-7	Greenhouse gas removal and mitigation projects financed through carbon credits	Cap. 9
ESRS E5	E1-9	Expected financial effects of material physical and transition risks and potential climate-related opportunities	Ch. 7/ 9
	E5 IRO-1	Description of the processes for identifying and assessing resource use and the impacts, risks and opportunities related to the circular economy	Ch. 7/ 9
	E5-1	Policies related to resource use and the circular economy	Ch. 8/ 9
	E5-2	Actions and resources related to resource use and the circular economy	Ch. 9
	E5-3	Targets related to resource use and the circular economy	Ch. 9
	E5-4	Resource inflows	Ch. 9
	E5-5	Resource outflows	Ch. 9
	E5-6	Expected financial effects of resource use, risks and opportunities related to the circular economy	Ch. 7/ 9

SOCIAL

ESRS REF.	DISCLOSURE REQUIREMENTS	DESCRIPTION	DOCUMENT REF.
ESRS S1	S1 SBM-3	Material impacts, risks and opportunities and their interaction with the strategy and business model	Ch. 7/10
	S1-1	Policies related to own workforce	Ch. 8/10
	S1-2	Processes for engaging own workforce and workers' representatives regarding impacts	Ch. 8/10
	S1-2	Processes to remediate negative impacts and channels for own workforce to raise concerns	Ch. 8/10
	S1-4	Taking action on material impacts on own workforce, approaches to managing significant risks and pursuing material opportunities related to own workforce, and effectiveness of such actions	Ch. 10
	S1-5	Targets related to managing significant negative impacts, advancing positive impacts, and managing material risks and opportunities	Ch. 10
	S1-6	Characteristics of employees	Ch. 10
	S1-7	Characteristics of non-employee workers in the undertaking's workforce	Ch. 9
	S1-8	Coverage of collective bargaining and social dialogue	Ch. 8/10
	S1-9	Diversity metrics	Ch. 7/ 9
	S1-10	Adequate wages	Ch. 10
	S1-11	Social protection	Ch. 10
	S1-12	Persons with disabilities	Ch. 10
	S1-13	Training and skills development metrics	Ch. 10
	S1-14	Health and safety metrics	Ch. 10
	S1-15	Work-life balance metrics	Ch. 10
	S1-16	Remuneration metrics (pay gap and total remuneration)	Ch. 10
S1-17	Accidents, complaints and serious impacts on human rights	Ch. 10	

ENVIRONMENT

ESRS REF.	DISCLOSURE REQUIREMENTS	DESCRIPTION	DOCUMENT REF.
ESRS S3	S3 SBM-3	SBM-3 Material impacts, risks and opportunities and their interaction with the strategy and business model	Ch. 7/ 10
	S3-1	Policies related to affected communities	Ch. 8/ 10
	S3-2	Processes to engage affected communities regarding impacts	Ch. 8/ 10
ESRS S4	S4 SBM-3	Material impacts, risks and opportunities and their interaction with the strategy and business model	Ch. 7/ 10
	S4-1	Policies related to consumers and end users	Ch. 8/ 10
	S4-2	Processes to engage consumers and end users regarding impacts	Ch. 8/ 10
	S4-3	Processes to remediate negative impacts and communication channels for consumers and end users to raise concerns.	Ch. 9
	S4-4	Actions taken regarding material impacts on consumers and end users, approaches to managing material risks and pursuing material opportunities related to consumers and end users, and the effectiveness of such actions.	Ch. 10
	S4-5	Targets related to managing significant negative impacts, advancing positive impacts, and managing material risks and opportunities.	Ch. 10

GOVERNANCE

RIF. ESRS	DISCLOSURE REQUIREMENTS	DESCRIZIONE	RIF: DOCUMENTO
ESRS G1	G1 GOV-1	Role of the administrative, management, and supervisory bodies	Ch. 5/ 11
	G1-2	Management of supplier relationships	Ch. 5/ 6/ 11
	G1-3	Prevention and detection of active and passive corruption	Ch. 11
	G1-4	Incidents of active or passive corruption	Ch. 11
	G1-6	Payment practices	Ch. 11



Company Data



PAFASYSTEM

Company name

Pafasystem SRLU

Legal form

Società di Capitale

VAT number

IT01665000970

Equity capital

200.000,00 €

Legal Office

Via Ettore Strobino, 24 - 59100 Prato (PO)

Turnover

3.626.126,95 €



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