



2023 ESG Report

Environmental,
Social and
Governance



Introduction to the Report

Welcome to NR Spuntech Industries LTD 2023 Sustainability Report, our inaugural report on our environmental, social, and governance (ESG) activities and priorities. Aligned with our vision of becoming a leading global supplier of nonwoven fabrics, our sustainability efforts are integrated into our business turnaround strategy to ensure long-term profitability and growth for all stakeholders. This report covers all sites of NR Spuntech Industries Ltd operations in 2023 and is written with reference to the GRI standards, reflecting

our commitment to continuous improvement in ESG. We also highlight initiatives supporting the UN Sustainable Development Goals (UN SDGs). Our responsible business practices, outlined in our policies, focus on human rights, labor conditions, anti-corruption, climate, and environmental issues, reinforcing our commitment to integrity and ethical conduct. We maintain high standards in asset management, stakeholder engagement, confidentiality, and conflict resolution, fostering a fair and respectful business environment.



Letter From Our CEO

To Our Stakeholders,

It is with great pride that I present to you NR Spuntech Industry's first ESG report, formalizing our environmental, social, and governance (ESG) commitments. At Spuntech, we are dedicated to serving as stewards of our natural resources and responsible corporate citizens. Basis on upon our continuous efforts to minimize our environmental footprint and maximize our contributions to our communities and the world, we remain steadfast in adhering to the highest standards of social responsibility and governance best practices.

We recognize the imperative of being a profitable and growing business to make a positive and lasting impact on our communities and the world. Currently Spuntech focuses on strengthening our position in the markets in order to secure our future for the benefit of our shareholders and our customers. We are meticulously evaluating every aspect of our operations to identify opportunities for enhanced efficiency, effectiveness, and alignment with our ESG objectives.

We are already witnessing remarkable synergies between our business growth and sustainability endeavors. Our commitment to reducing waste in manufacturing processes not only advances our environmental goals but also bolsters our cost base and strengthens the foundation of our business. Likewise, our responsible utilization of natural fibers not only serves as a competitive advantage in the market but also underscores our dedication to responsible resource management.

Our employees are the cornerstone of our business, representing our most valuable asset. Therefore, ensuring occupational safety is of utmost importance at Spuntech, with our goal focused on achieving zero lost-time accidents. We consistently improve our safety culture and engage in best practices to safeguard the well-being of our workforce. Additionally, we are dedicated to enhancing employee engagement. In 2023, we conducted our second consecutive employee engagement survey, utilizing the results to drive targeted development initiatives aimed at fostering a high-performance culture and improving overall employee engagement. Our employees are heard and seen, and professional development is one of our main goals.

Moreover, we are resolute in maximizing resource efficiency in our production processes while minimizing our environmental impact. Concrete plans are in place to reduce greenhouse gas emissions, energy and water consumption, and landfill waste. For example, our total greenhouse gas emissions intensity have been reduced by 12% compared to a 2019 base year, and efforts are continuous. With an ongoing commitment to innovation, Spuntech continuously invests resources in new product development, reinforcing its status as a leading Spunlace manufacturer worldwide.

Amidst the deep emotional upheaval and uncertainty brought by the war that erupted in Israel on October 7, 2023, Spuntech, along with the wider Israeli industry, faced significant human resource challenges. With numerous employees recruited or displaced due to government directives, Spuntech took proactive measures to support its workforce. Employees were accommodated for extended periods, working parents were provided flexibility in location and hours, ensuring a sense of security in the workplace. Support was extended to relocated employees, including assistance for family relocations and resilience training sessions. Spuntech ensured job security for all employees, regardless of attendance, and facilitated transportation from the Shamir site to relocation sites. These efforts were met with gratitude and positive feedback from employees. Moreover, recognizing the need for immediate community support, Spuntech initiated a donation program, channeling substantial financial contributions to affected Kibbutzim and other displaced communities, underscoring its dedication to supporting both its employees and the broader community during times of crisis.

I'm pleased to present Spuntech's ongoing ESG efforts in this inaugural report. Sustainability has been integral to our culture since 1996. Our commitment to minimizing environmental impact aligns with our business goals, making a global impact. We invite you to explore our 2023 Sustainability Report and share feedback. Thank you for your interest in Spuntech. We look forward to future opportunities and welcome your comments and questions.

Sincerely,

Mr. Hezi Nissan
CEO

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A Glance at Spuntech Industries 2023



1996
Established



734
Million NIS
Sales



SPNTC
TASE



22
Countries
Served Globally



395
Employees



3
Global Locations

Introduction

About Spuntech

Established in 1996, Spuntech Industries Ltd. is an Israeli-based manufacturer specializing in non-woven fabrics using advanced Spunlace technology. Operating across three production facilities in Israel and the United States, we unify our global operations through shared technology and a commitment to environmentally conscious practices.

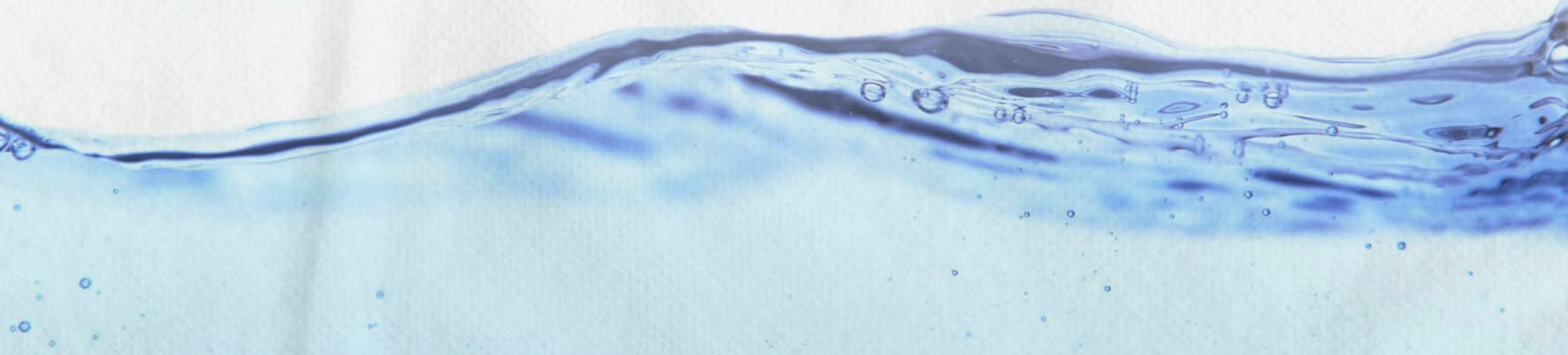
While wet wipes defined its early success, Spuntech's ambitions now extend to diverse applications for spunlace fabrics, including exciting domains such as medical textiles and solutions for everyday comfort. Spuntech now produces baby wipes, technical wipes, cosmetic wipes, disposable towels and more.

While prioritizing lasting partnerships with its customers, the company focuses on delivering custom-engineered solutions, tailored precisely to their needs. With modern manufacturing processes and unparalleled performance capabilities, we guarantee consistent, high-quality nonwoven fabrics.

Spuntech distinguishes itself through excellence in key areas: close collaboration with clients for tailored solutions, industry-leading innovation evident in numerous patents, a highly educated workforce ensuring consistent quality, a focus on environmental responsibility through sustainable practices, and exceptional customer service provided by dedicated relations teams for prompt communication.

Looking ahead, innovation remains Spuntech's driving force, with ingenuity and sustainability embedded into all product development efforts, ensuring superior performance while upholding sustainable practices.

With a focus on operational excellence, global logistics, and eco-friendly practices, Spuntech is poised for continued success while lowering our environmental impact.



Spuntech Operations

NR Spuntech Industries has five production lines in three sites, as follows:



Tiberias Site, Israel

This site holds Spuntech's headquarters as well as two production lines, that are operational by Spuntech since 1996.



Shamir Site, Israel

Holds one production line that has been operational since 2000.



Roxboro Site, North Carolina, USA

Holds two more production lines that have been operational since 2006 and 2016.

The production lines are different in their abilities, but some could back up each other. The lines are operating 24/7. Spuntech's products can be manufactured on most lines, giving the company the flexibility to plan ahead and deliver on schedule.

Spuntech is a registered trademark and holds four full patents and a protected design, all accepted in Israel, and some accepted in the EU, USA, Russia, Mexico, Canada, Columbia and Brasil.

Our Products

Spuntech produces a wide range of high quality spunlace fabrics used for applications across a range of products.



Household



Medical



Cosmetics & Feminine Care



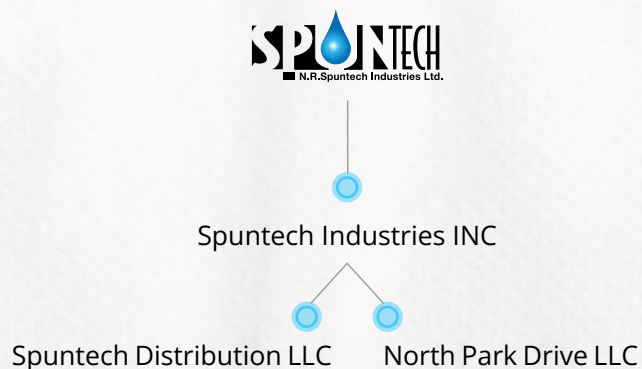
Baby



Industrial

Organization Structure

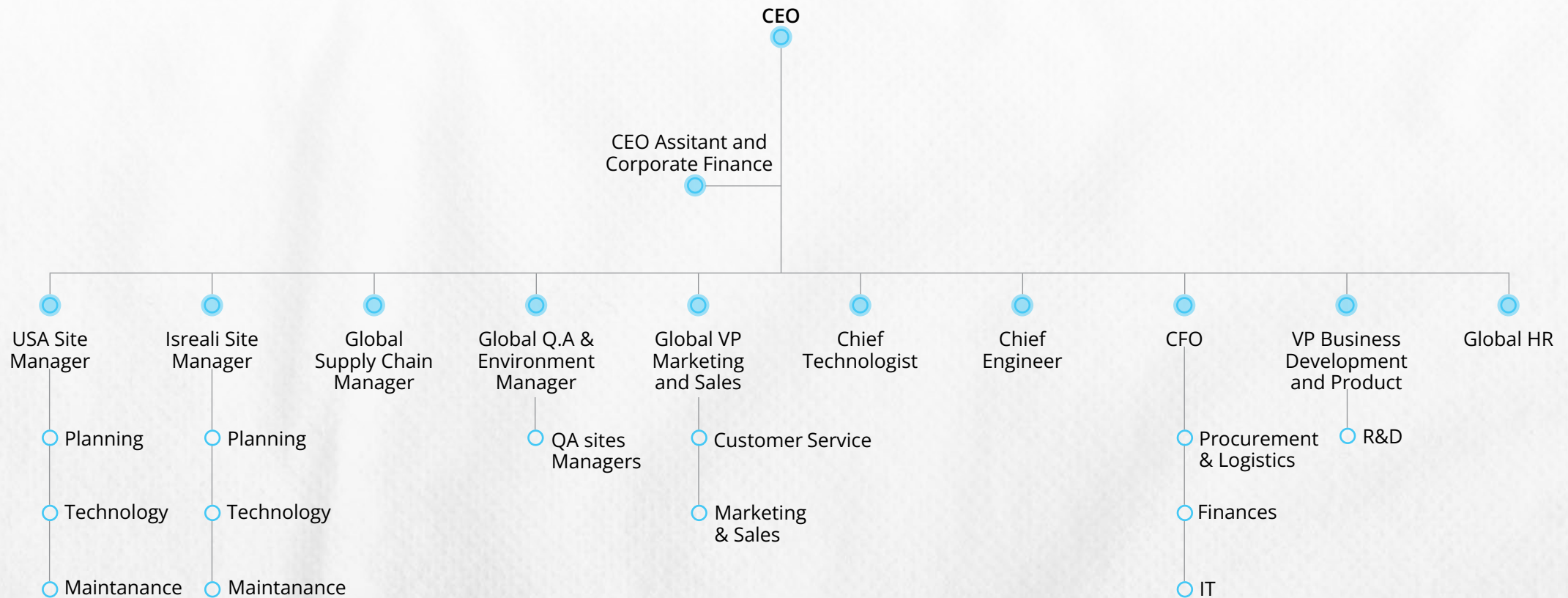
Spuntech has been listed as a publicly traded entity on the Tel Aviv Stock Exchange (TASE) since 2006. The company's central headquarters are situated at its offices in Israel. NR Spuntech Industries holds full control over Spuntech Industries Inc. in North Carolina and its two subsidiaries through real estate holdings and distribution in the USA (see figure).



Spuntech specializes in producing and marketing nonwoven fabrics utilizing advanced Spunlace water entanglement technology, mainly serving the wide range of the wipes industry, which accounted for approximately 95% of its revenue. Operating from two sites in Israel and one in the United States, the company consolidates its activities under a single business segment due to the uniformity of its production technology, interchangeable products, shared suppliers, and centralized marketing and sales department. Production decisions are made based on factors such as line availability, efficiency, and transportation costs, with flexibility in choosing between sites for products manufacturable in both locations. Additionally, a substantial portion of the company's products are approved for production across its facilities, ensuring operational continuity and adaptability to changing market demands.



The executive management team of the company comprises of a CEO, division presidents and vice presidents, as illustrated in the following chart:



Market

In the non-woven fabric sector, fabric production is achieved through complex production process starting with fibers feeding, fiber opening, web forming, fibers web entanglement through Spunlace process, drying the fabric, slitting and winding. These fabrics, with their varying characteristics, serve as fundamental material for numerous industries including technical cleaning, hygiene, medical sectors and many more. Key characteristics such as fabric's fiber composition, fabric's thickness, weight, softness, texture, and liquid absorbency distinguish these fabrics.

Spuntech specializes in the production of non-woven fabric using Spunlace technology, renowned for its advanced features, particularly favored in the wipes sector and other. Operating manufacturing facilities in Israel and the United States, the company maintains uniformity in technology application and raw material sourcing across all sites. Decision-making in production planning is influenced by factors like line's availability, line's efficiency, transportation costs, etc' while marketing and sales strategies are centrally coordinated.

The company's product range encompasses of spunlace non-woven fabric offerings tailored to specific applications and customer requirements. These fabrics vary in surface texture, weight, fiber composition and other parameters, catering to diverse marketing objectives. The majority of Spuntech's products serve as primary raw materials for the wipes converting industry, distributed globally to both multinational brands and private label manufacturers.

Target geographic markets include regions such as the United States, Canada, Europe, and Central and South America, with an expansive customer base comprising of international brands, private labels, medical product manufacturers, and other industry players.

With an ongoing commitment to innovation, Spuntech continuously invests resources in new product development, reinforcing its status as a leading Spunlace manufacturer worldwide.

Our Global Footprint

Three manufacturing sites containing five production lines across Israel and the United States selling into 22 countries worldwide



Our Values and Vision

At Spuntech, we believe that it is our duty to leave a meaningful humane mark on people, society, and the environment. To create this global impact, Spuntech focuses on building long-term relationships with our employees, suppliers, and customers. These relationships enable us to create strategic partnerships. Specializing in the production of non-woven fabrics using high-pressure water entanglement technology, Spuntech is committed to high quality, innovation and sustainable manufacturing for its customers and for our planet. Spuntech strives to deliver excellent products through innovative and eco-conscious manufacturing processes, benefiting both its customers and the environment.

At the core of our values lie integrity and humanity. We believe in fostering fairness, reliability, mutual respect, and compassion to build honest, long-lasting relationships built on trust and courage.

We acknowledge a shared responsibility. Each employee is encouraged to contribute positively to their colleagues and the environment through their actions. This commitment extends to health and safety, individual and collective growth, and taking ownership of our collective outcomes.

Excellence is fueled by our people. We recognize that individuals are the driving force behind success. Therefore, we prioritize professionalism and a steadfast dedication to achieving meaningful results.

Sustainability guides our actions. We understand the importance of environmental protection and strive to raise awareness and commitment to maintaining the well-being of our planet in all aspects of our activities.



Spuntech's Commitment to Sustainable Development Goals (SDGs)

The United Nations Sustainable Development Goals (SDGs), also known as the Global Goals that were adopted by the United Nations in 2015, are a universal call to action to address social and environmental issues, while also promoting economic growth, reducing inequality, and fostering innovation.

In Spuntech, sustainability is a fundamental aspect of our company's vision, integral to fostering long-term growth and cultivating a sustainable environment simultaneously. As industry leaders, we are dedicated to comprehending our influence and actively contributing to the Sustainable Development Goals (SDGs) to enhance our environment and planet.

3
GOOD HEALTH
AND WELL-BEING



"Ensure healthy lives and promote well-being for all"

Spuntech manufactures products that support public health and well-being and offer true value to its customers and end users with new innovative solutions to their changing needs. In addition, Spuntech's employees' health and safety are a priority, as it aims to provide a safe workplace through different measures, such as safety surveys, committees, and training programs.

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CLIMATE
ACTION



"Through education, innovation and adherence to our climate commitments, we can make the necessary changes to protect the planet"

Spuntech acknowledges the gravity of climate change and recognizes its profound impact on its operations, clients, and the well-being of all stakeholders. Consequently, the company conducts a comprehensive annual greenhouse gas inventory and remains dedicated to reducing emissions across all scopes. Initiatives include transitioning to less carbon-intensive fuels and electricity providers, implementing strategies to minimize waste and water usage, among other measures. To gain deeper insights into its production's environmental footprint, Spuntech has conducted a lifecycle analysis on a representative product, integrating the findings into its operations (for more information, please see Spuntech's Carbon Footprint).

9
INDUSTRY, INNOVATION
AND INFRASTRUCTURE



"Industry, Innovation, and Infrastructure"

As a large manufacturing company, Spuntech has a significant impact on the environment in terms of material sourcing and production processes. Spuntech constantly works to mitigate its environmental impact by implementing higher-efficiency water filtration systems and methods for efficient water management, recycling of production waste is a continuous effort, alongside new product development processes aimed at minimizing the use of synthetic fibers in our products. Moreover, this year, our revised procurement policies prioritize environmentally and socially aware suppliers that can easily adapt to customer requests.

8
DECENT WORK AND
ECONOMIC GROWTH



"Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all"

Spuntech's employees are the backbone of its operations, therefore, Spuntech is committed to providing them with a safe, fulfilling, and rewarding environment. Regular employee feedback surveys are conducted to maintain fair working conditions and ensure that every employee feels purposeful and is treated with mutual respect. Spuntech's management takes these survey results seriously and integrates them into the management plans of each site (for further information, see the Looking Ahead chapter in the social section).

Spuntech' Stakeholder Engagement



Suppliers and Subcontractors

- Longstanding partnerships with direct and open dialog
- Annual assessment of suppliers
- Annual external quality audits
- Supplier code of conduct



Local Communities and Neighboring Facilities

- Website contact
- Environmental compliance dialogue with regulatory bodies
- Community contributions and volunteering



Employees

- Annual employee evaluations
- Bi-Annual employee satisfaction surveys
- Internal communication mechanisms
- Open door policy
- Roundtable events



Shareholders

- Quarterly and annual financial reports
- Board a quarterly meetings



Customers

- Product requirement documents
- Ecovadis and CDP ratings
- Bi-annual Satisfaction surveys
- Periodic meetings

Material Topics

Recognizing the significance of ESG matters for both Spuntech's success and addressing stakeholders' concerns, we are committed to enhancing our impact and performance in these areas. A materiality assessment was conducted to identify the most significant impacts on the company's business goals and stakeholders, through benchmarking against industry peers, ESG rating

agencies, and reporting standards, a comprehensive list of potential topics was developed, culminating in the prioritization of clearly defined initiatives aligned with Spuntech's ESG agenda. This list underwent refinement through discussions with Spuntech's executive management, resulting in the material topics presented in this report.

E

Raw Material Sourcing

Increasing sourcing of low-carbon intensive or sustainable raw materials.

Climate Action

Reducing greenhouse gas emissions in Spuntech' operations and supply chain; Improving energy efficiency and management

Water Management

Reducing water intake and effluent discharge

S

Employee Engagement

Increasing employee engagement through effective training and providing personal and professional development opportunities; Investing in employee wellbeing, work life balance and benefits; Maintaining a workforce based on the principles of diversity, equal opportunity and nondiscrimination.

Occupational Health and Safety

To continue providing a safe and healthy work environment, and with necessary training and equipment to work safely, Implementing safety management system

G

Responsible Supply Chain

Supplier ESG assessment for new and existing suppliers; Ensuring human rights throughout the supply chain

Business Ethics

Conducting business in a fair and ethical manner while implementing values and code of ethics throughout the value chain; Comply with applicable laws and regulations;

P roducts

Sustainable Products

Investing in sustainable innovation to create a long-lasting environmental benefit while contributing to the company's growth

ESG at Spuntech

Spuntech is guided by a deep commitment to environmental sustainability, social integrity and good corporate governance. Spuntech's responsibility to minimize its environmental impact on the world that we live in and maximizing its impact on the communities it serves is deeply rooted in all its operations and actions. Whether through proactive measures to increase process efficiency, reduce resource consumption or by holding its employees at the highest priorities and community volunteering and monetary donations, Spuntech is proud to be a responsible business.

To support the company's ongoing commitment to all aspects of sustainability and environmental issues in particular, an environmental manager has been appointed to oversee the subject within Spuntech business and across its production sites. The environmental responsibilities include adherence to ISO14001 standards, updating of regulations and records, and data collection and analysis to ensure alignment with annual objectives and goals. Collaboration across all departments is essential to enhance employee engagement, fostering continuous improvement in environmental practices through structured communication and the adoption of effective management approaches.

While comprehensive efforts are made on an annual basis, Spuntech will be developing a comprehensive ESG strategy during 2024 to solidify its efforts in creating long-term value for its stakeholders and contributing to a sustainable future. As the company has already put plans into action, the ground is now ready for a long-term plan that will be the basis for future actions.

More information about the ESG strategy and its implementation into the business strategy and operations will be provided in the next ESG report.



Environment

Introduction

At Spuntech, environmental challenges like resource scarcity and climate change are viewed as opportunities for efficiency and creativity to drive innovation in production processes and sustainable product development. Spuntech's aims to reduce its environmental impacts and develop innovative minimal environmental footprint products while meeting consumer requirements.

As a result, sustainable production is a key goal. Efforts are made to increase waste circularity and water reuse; raw material procurement is focused on using renewable source fibers and more. Extra attention is given to reducing greenhouse gas emissions to a bare minimum.



Sustainable Production



245,040

tCO₂e Spuntech's total
GHG emissions in 2023



13%

Decrease in GHG emissions
intensity in 2023 vs. 2019



91%

of all waste was sent
to recycling in 2023



9%

Decrease in water consumption
intensity in 2023 vs. 2019

Spuntech is dedicated to sustainable production practices, recognizing the importance of minimizing negative environmental impact while maximizing efficiency. This commitment extends across various aspects of our operations, from selection of fuel type to waste management and resource consumption. By prioritizing cleaner fuels and energy suppliers, and implementing energy efficiency projects, we aim to reduce our carbon footprint and contribute to

cleaner air. Spuntech's efforts in waste management have led to significant reductions in landfill waste and increased recycling rates. Additionally, by actively monitoring and reducing water consumption and wastewater using a closed-loop filtration system. Through these initiatives, Spuntech demonstrates its commitment to sustainability and aims to set an industry standard for responsible production.

Energy Management

At Spuntech, our commitment to environmental responsibility extends to the fuels we choose for production.

Both LPG and natural gas are used by Spuntech as they both offer significant advantages over diesel. Both emit less greenhouse gases during combustion, contributing to a smaller carbon footprint for our operations as well as lower levels of harmful pollutants like particulate matter and NOx, contributing to cleaner air and protecting the health of our communities. Currently, Spuntech uses LPG only for maintenance or if natural gas distribution is disrupted. Liquid fuel, such as diesel and gasoline, is used only for transportation and for onsite forklifts used on the production floor.

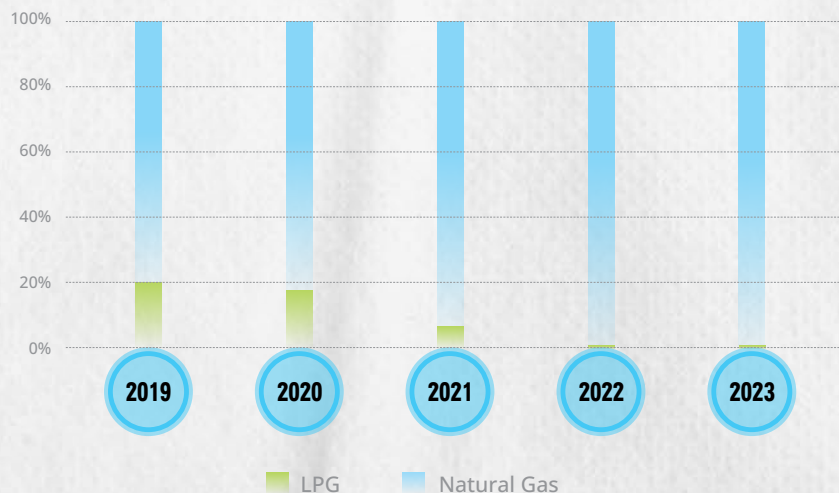
Spuntech actively prioritizes cleaner alternatives like natural gas, reflecting the understanding of the environmental impact of different fuels and aligns with our sustainability ambitions.

Spuntech's pursuit of a decarbonized future extends beyond our choice of fuels. Recognizing the crucial role electricity plays in our operations, and actively seeking cleaner sources to minimize environmental footprint. Therefore, the company strategically leverages low-carbon intensive electricity sources by purchasing electricity in Israel from Nesharim and in the USA from Duke Energy, both using natural gas for power production, thus having low emissions compared to local grid emissions. Spuntech does not neglect its pursuit of future renewable integration and is planning to purchase only renewable electricity and the Renewable Energy Certificates for global assurance by mid-2025.

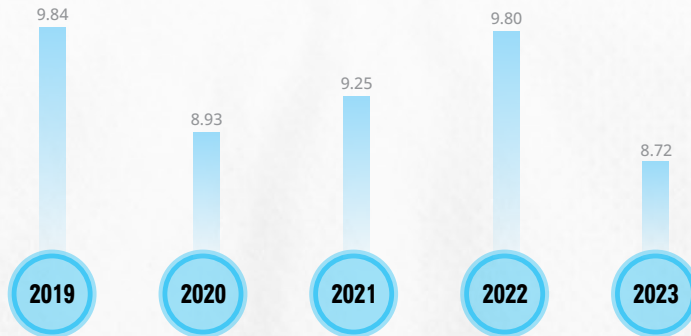
Spuntech's dedicated engineering and technology departments are constantly reviewing the production processes energy consumption and implementing improvements to increase resource use. As a result, fossil fuel and electricity usages intensity has dropped by 13% and 9%, respectively, since 2019. Total energy intensity usage has dropped by 10% since 2019.

Throughout the COVID-19 pandemic in 2020, our production lines operated at maximum capacity, leading to peak efficiency levels. However, as the effects of the pandemic began to diminish, the demand for nonwoven products, particularly sanitary wipes, also decreased. This decline in demand impacted on our operations, as machinery operated at lower efficiency levels compared to the peak period, resulting in suboptimal performance and increased fuel and electricity consumption intensities.

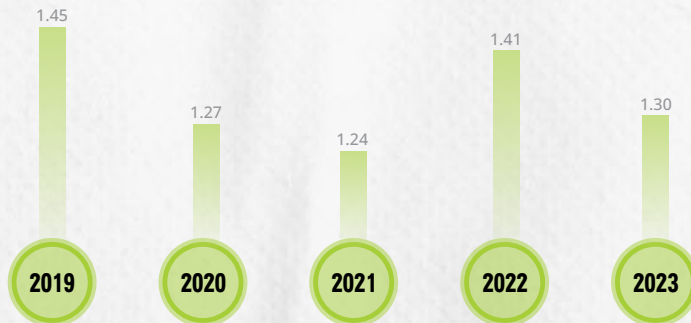
Production Fuel Mix



Fuel Consumption Intensity (MMBTU\ton)



Electricity Consumption Intensity (KWh\ton)



Special Project - Roxboro Facility

Spuntech upgraded an "Air to Air" heat exchanger (HEX) to save energy. The HEX is preheating the ambient air entering the dryer through the exhaust air that exits the dryer. It also balances the dryer's internal air circulation. By that, the amount of airflow ejected from the dryer is reduced. It causes a reduction in the gas consumption, increased energy efficiency, and lowered GHG emissions.

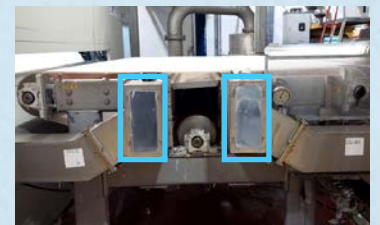


Special Projects at Shamir

As part of the production process, a fabric drying oven is used. In recent years, the oven at the Shamir facility had issues with condensation, which caused damage and led to excessive use of natural gas. To fix this, the insulation on the oven's roof and walls was upgraded.

Another exciting project involves the dewatering process. Dewatering in spunlace production is performed by passing the fabric through a series of rollers and vacuum suction units to squeeze out the water before entering the drying oven. The humidity of the fabric entering the oven is the most influential factor when assessing the energy consumption of the oven. By replacing the vacuum suction box with a wider one, adding suction from both sides and adjusting the suction surface and fan array in the dewatering process, the humidity of the fabric was reduced significantly. The result is an increase in fabric uniformity, lower natural gas consumption in the drying process and lower GHG emissions.

As a result of these two projects, gas consumption at Shamir decreased by 2% and GHG emissions from the use of natural gas were reduced by 3.3%.



Special Project - Tiberias Facility

The production hall in Tiberias does not have climate control systems, therefore energy is invested in heating the production halls during winter times. By diverting residual heat from the exhaust of the intake fan, heat and humidity are added to the production hall, thus improving product quality, increasing production, and improving working conditions for workers all while reducing fuel consumption and GHG emissions. The project was implemented in 2022, and in 2023 natural gas consumption was down by an astonishing 20% in intensity.

Spuntech's Carbon Footprint

Climate change is one of the world's largest environmental challenges, and to tackle climate change, we must first look at our own carbon footprint and work hard to reduce it.

Our GHG emissions are calculated as described in the GHG Protocol; scope 1 emissions (direct emissions) are derived from the various fuels that are used for production and transportation. Scope 2 emissions (indirect emissions) include the company's electricity consumption, as is calculated via the market-based approach. We also calculate our scope 3 emissions resulting from purchased goods and water consumption per category 1, T&D emissions of the electricity supply per category 3 and waste management per category 5 instructions in the GHG protocol.

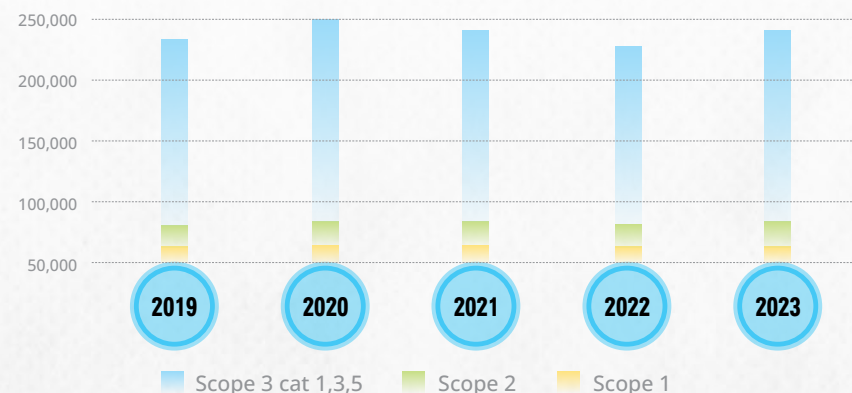
Spuntech's absolute carbon emissions mainly increased due to production growth and operational constraints.

When examining the company's GHG intensity (ton CO₂e/kg production), a large decrease is observed between 2019 and 2020 and the trend is being preserved since, with minor fluctuations. The decrease in carbon emission intensity was mainly due to energy efficiency projects, as described in the Energy management section. Spuntech intends to further decrease carbon emissions by setting carbon reduction goals and zeroing in on the primary carbon "hotspots", all while encouraging environmental sustainability practices at all sites, thereby creating a better impact on the planet.

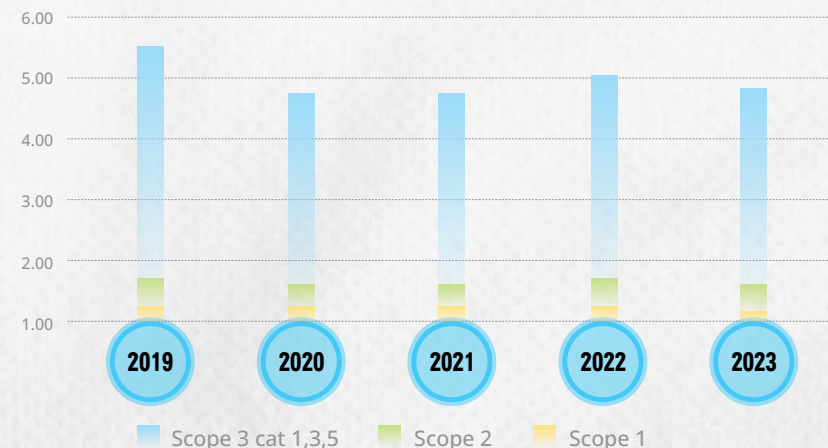
As part of Spuntech's commitment to sustainable practices, a lifecycle analysis (LCA) has been made on one of its products, a non-woven fabric made of Polyethylene terephthalate (PET) and Viscose fibers. LCA is a method used to assess the environmental impacts of a product throughout its entire life cycle, from raw material extraction to production, use, and disposal. The calculation was performed in accordance with ISO 14067:2018 using data

from Ecoinvent database V3.7.1 in accordance with ISO14040 and the fibers' supplier material carbon footprint data. The analysis focused on a cradle-to-gate system boundary definition, considering inputs up to the point of product leaving the manufacturing facility. This process is part of Spuntech's communication with its customers and is conducted at their discretion.

Total CO₂e Emissions - Absolute



Total CO₂e Emissions - Intensity (KgCO₂e/Kg Production)



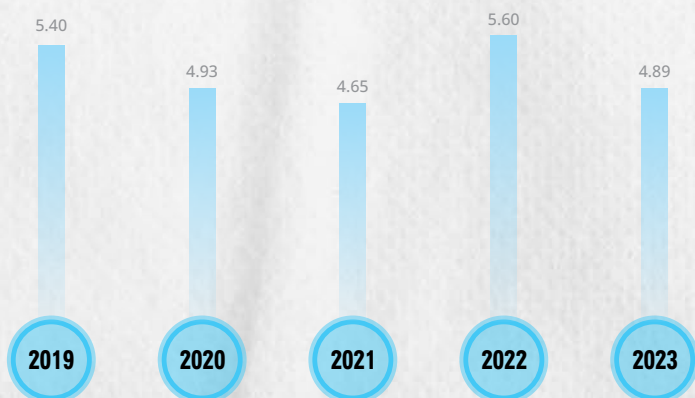
Water Management

Spuntech places a high priority on resource efficiency, consistently aiming to minimize its water usage. This presents a dual challenge. Water serves a vital function in spunlace technology, driving the interlacing and bonding of fibers to produce non-woven fabric while maintaining cleanliness. However, ensuring water quality and cost-effective recycling remains difficult due to the need to remove contaminants.

As in the energy management section, the effect of the COVID-19 pandemic in 2020, were apparent in the water consumption intensity. The decline in demand resulted in lower operational efficiency, leading to suboptimal performance and increased water consumption intensities.

Despite these challenges, Spuntech has made impressive progress in reducing water consumption, underscoring their commitment to environmental responsibility and sustainability. While 62% of water consumed is evaporated during the manufacturing process, Spuntech's total water consumption across its sites in 2023 amounted to 250888 m³, with a notable 9% reduction in water intensity compared to the 2019 baseline. Despite challenges in water quality, a filtration system has been installed at Spuntech's production lines, resulting in the recycling of 96-97% of the process water. Spuntech aims to achieve zero wastewater by implementing a closed-loop system where all process water is filtered and returned for reuse in production processes.

Water Usage Intensity (m³/ton)



Waste Management



91%

of all waste generated was sent to recycling in 2023



73%

decline in waste sent to landfill, compared to 2019

As an industrial non-woven fabric manufacturer, Spuntech operates in an industry with inherent material complexity and high production volumes. This reality comes with an undeniable environmental responsibility, where waste reduction and responsible resource management are not just ethical imperatives, but strategic necessities.

Ignoring waste management poses significant risks globally. Landfills are filling rapidly, increasing disposal costs and regulatory scrutiny. Virgin material extraction carries environmental burdens and exposes Spuntech to price fluctuations. Conversely, embracing waste reduction unlocks numerous benefits: cost savings through resource efficiency, a more sustainable brand image, and enhanced customer loyalty in a market increasingly driven by environmental consciousness.

Spuntech takes waste management seriously, actively minimizing its impact through a comprehensive system. Since 2019, landfill waste has seen a remarkable 73% decrease, while recycling and reuse have soared by 19%, reaching an impressive 91% diversion rate.

This impressive feat is achieved through meticulous tracking of all waste streams, ensuring every recyclable or reusable material finds a second life. Cardboard and plastics containers are sent to recycling, pallets return to suppliers, and even bag residues and fiber waste are sold to dedicated customers. Notably, chlorine cubes are ingeniously reused by the supplier, further minimizing resource consumption. Only mixed waste from office operation is sent to landfill. The closed-loop approach not only benefits the environment but also demonstrates a commitment to sustainability, setting a commendable example.

Waste Treatment

By identifying the primary waste origins, Spuntech can assess and discover solutions for treatment by waste type, ensuring effective waste management and compliance:

Headquarters and Office Waste

general mixed waste generated in headquarters offices, consisting mostly of organic and household waste that is transferred to authorized landfill sites.

- **Paper:** All paper waste generated from office operations collected and transferred for recycling.
- **Electronic waste (office supplies):** Electronic office supplies that are no longer able to be used, are sorted and transported be disassembles where they are recycled by e-community and by M.A.I. recycling, two Israeli approved electronic waste recycling corporations.

Industrial Waste

Waste is generated as part of the manufacturing process, including packaging of various raw materials. All waste is removed by an authorized third-party waste contractor for responsible treatment:

- **Fabric waste:** All the waste from the fabric manufacturing is sold to a third party for reuse.
- **Wood waste:** Our cardboard packaging arrives on wood pallets that are collected and returned to the cardboard supplier for reuse.
- **Cardboard and plastic:** All cardboard and plastic waste generated from packaging is sent to either be reused or recycled.
- **Chlorine containers:** All the empty chlorine containers are returned to the supplier for reuse.
- **Biological waste:** the used samples from our QA lab are collected in a designated container and collected for safe disposal.

Hazardous waste

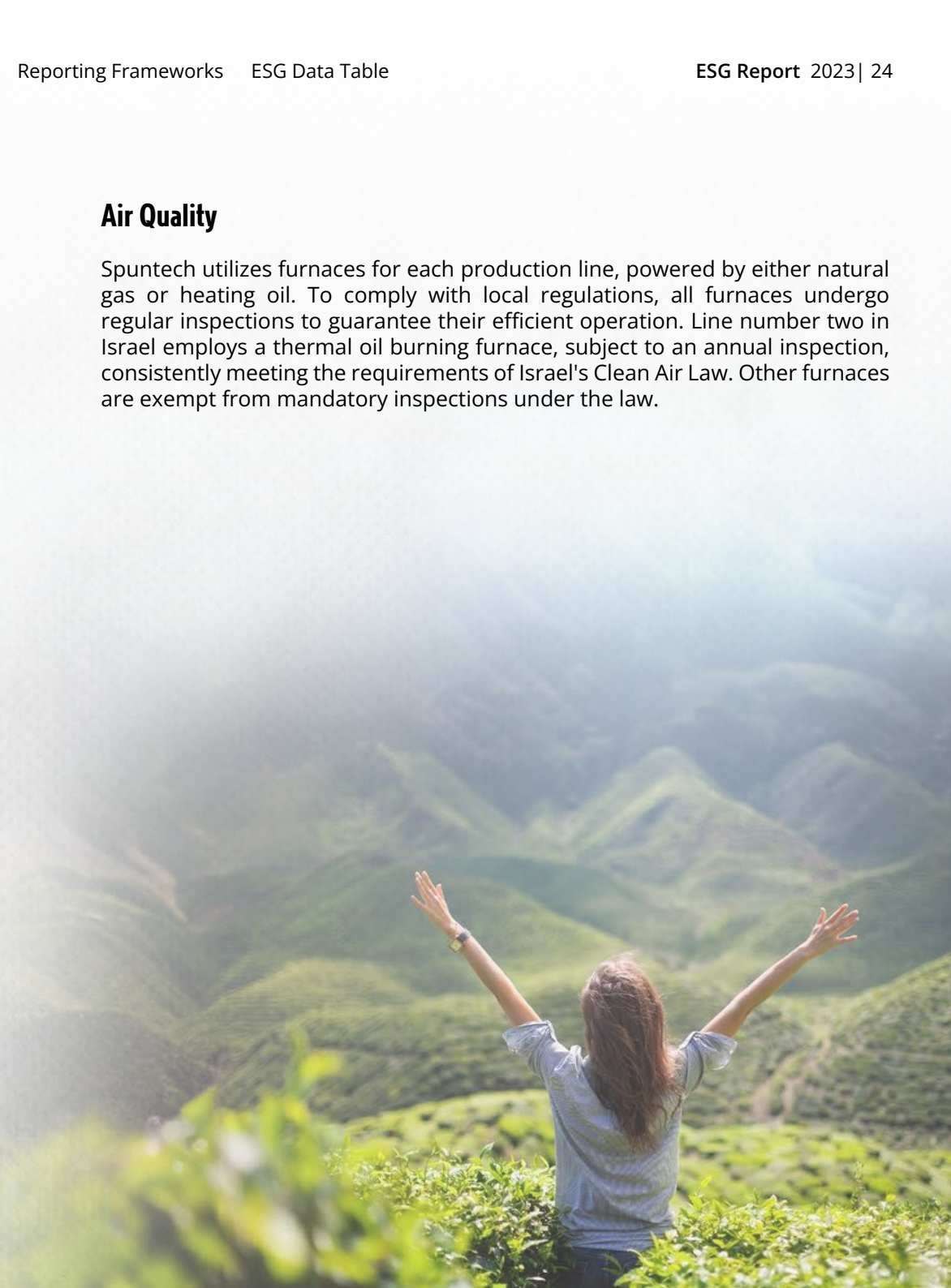
In 2023, Spuntech's sites used about 57 tons of chlorine and about 6 tons of coloring paste, all treated in accordance with local laws and regulations.

Wastewater

All wastewater is treated in municipal wastewater facilities in Israel and at Roxboro. All wastewater is filtered before entering the municipal sewage system to prevent blockage and contamination of water sources. Water is sampled on a quarterly basis and the results are always well below compliance thresholds for COD, TSS, pH and chlorides.

Air Quality

Spuntech utilizes furnaces for each production line, powered by either natural gas or heating oil. To comply with local regulations, all furnaces undergo regular inspections to guarantee their efficient operation. Line number two in Israel employs a thermal oil burning furnace, subject to an annual inspection, consistently meeting the requirements of Israel's Clean Air Law. Other furnaces are exempt from mandatory inspections under the law.



Sustainable Innovation

In line with its distinctive capabilities and vision, Spuntech aims to boost sales of sustainable products among its existing customers while actively seeking new collaborators willing to participate in the development of sustainable alternatives to replace products utilizing PET or PP fibers. The newest developments involve using Hemp and PLA-based compostable fibers (TUV approved) for agricultural uses, with commercial product sales expected to start during 2024.

Spuntech is focused on creating new products using natural fibers such as cotton, recycled cotton, flax, viscose, and lyocell, with a primary emphasis on developing items that are compostable and biodegradable. Despite constraints stemming from our customers' demands, in 2023, 25% of Spuntech's sold products were made using sustainable raw materials, defined as those containing 100% biodegradable or natural fibers, such as cotton, viscose, lyocell, bamboo, and flax, subject to approval from fiber suppliers. 37% of all sales are of products that are FSC certified.

Spuntech positions its capability to produce sustainable products as a key strength and service for its customers. The company is actively engaged in efforts to reduce and recycle fabric waste, as well as undertaking initiatives to minimize its carbon footprint. To that end, Spuntech has conducted a comprehensive assessment of the carbon footprint of its products using Lifecycle Assessment (LCA) methodologies in accordance with ISO 14067:2018. Calculations were performed using Open LCA software V1.10.3 and data from the Ecoinvent database V3.7.1, with CO2 emission factors obtained from Spuntech's fiber suppliers (for more information, see Spuntech's Carbon Footprint section).



Responsible Supply Chain

Spuntech acknowledges the crucial role of upholding its values across its entire supply chain. With a firm commitment to ethical business practices and respect for human rights, Spuntech has developed a comprehensive Supplier Code of Ethics, embodying its core principles of global sustainability and social responsibility to be implemented as part of a new supplier onboarding and for engaging current suppliers. Suppliers receive, approve, and sign this code during visits and inspections, and it is publicly available on the company website. Through transparent communication and rigorous quality standards, Spuntech fosters a culture of accountability and excellence among its suppliers, striving to advance human rights, environmental protection, and ethical conduct throughout its procurement practices.

Procurement Policy

Spuntech is committed to minimizing the negative impact of its products throughout the value chain by integrating responsible procurement practices at every stage of the process. This holistic approach prioritizes not only adhering to rules but also protecting company resources, ensuring product quality, and fostering strong supplier relationships. The procurement policy serves as a guiding framework for making informed purchasing decisions that contribute to overall success.

In this context, a supplier encompasses entities providing raw materials, packaging, spare parts, and chemicals. Suppliers are classified as casual, active, or approved, depending on their purchasing frequency and adherence to quality standards. The Materials Manager oversees the list of approved suppliers, which includes detailed evaluations.

The Supplier Approval Process involves steps to ensure compliance, including evaluation of product specifications and documents. Critical suppliers may undergo audits, and approved suppliers are listed along with "Quality Requirements" annually reviewed by Purchasing and Quality Management. The Purchasing Process adheres to ethics and controls, requiring certifications for external suppliers and relying on purchases from qualified ones, with specific procedures for hazardous and high-cost items.

Supplier evaluation and auditing occur annually, with scores assigned based on different criteria. Selected suppliers receive feedback indicating their score and areas for improvement. The approved supplier list is updated annually, and Quality and Purchasing collaborate on the audit process and subsequent updates.

Transparency and Traceability

Responsible supply chains rely heavily on the principles of transparency and traceability. Transparency entails openly disclosing details regarding suppliers, materials, and more to foster trust and enable well-informed decision-making. Traceability enables the tracking of goods and materials, guaranteeing ethical practices and risk mitigation. Both components are indispensable for ethical procurement, sustainability, and efficient supply chain management.

Spuntech places a high priority on traceability ensuring that the origins of all its products can be traced back to their sources, thus enhancing accountability across its supply chain, empowering consumers and clients to make informed decisions. If a supplier, whether of fibers or other materials, is replaced, all alterations are promptly communicated to the customers.



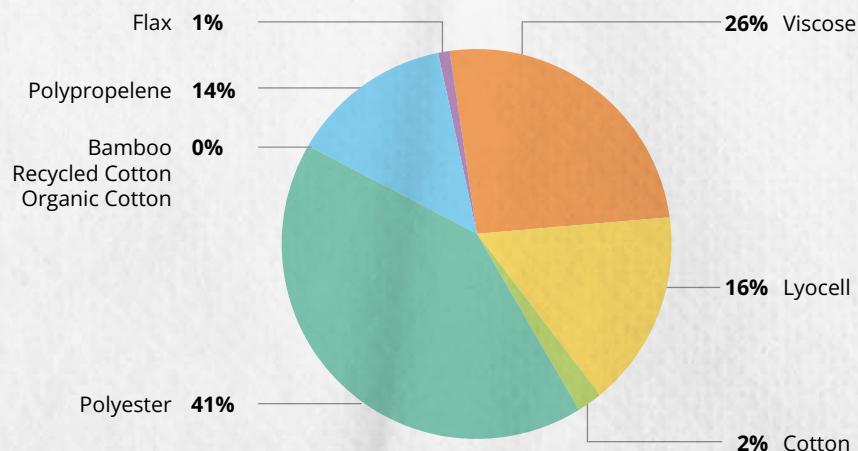
Purchasing of Sustainable Materials

Spuntech utilizes three primary categories of fibers in its production: synthetic, natural and semi-natural. Among the fibers used in the production of its nonwoven fabrics are natural options such as flax, bamboo and organic cotton, as well as semi-natural fibers like viscose and lyocell, which are recognized as environmentally preferable substitutes compared to synthetic counterparts. The adoption of these materials is over 40% of Spuntech's fibers procurement and is steadily increasing.

A comprehensive evaluation of environmental implications is systematically conducted throughout Spuntech's entire value chain. This process begins with the procurement of diverse raw materials sourced from various origins, including naturally derived and synthetic fibers, pulp, nonwovens, plastics, chemicals, and packaging materials. While adhering to customer specifications, Spuntech's commitment lies in offering a wide range of products and materials, with a priority on environmentally friendly alternatives.

In our procurement practices, meticulous assessment of the environmental impact of raw materials guides our selection of suppliers and local partners, with a preference for those aligned with sustainability principles whenever feasible.

2023 Fiber Procurment



Sourcing of Natural Fibers from Sustainable Forests



Owing to Spuntech's sustainable certified forest management, the company contributes to the conservation of tropical forests in South America and Africa and to halting their overexploitation. In this approach, forests are closely managed according to strict environmental and social standards. In 2023, Spuntech sourced over 95% of wood-based nonwovens components (fibers and pulp), except for non-organic cotton, from FSC certified sustainably managed forests.

Supplier Code of Conduct

Spuntech is dedicated to fostering ethical and compliant business relationships with its suppliers, contractors, and consultants. In alignment with its own values, Spuntech expects its supply chain partners to uphold similar standards of integrity and ethical conduct, ensuring that all business activities are conducted fairly and in accordance with relevant laws and regulations.

The Spuntech Supplier Code of Conduct, readily available on the company's website, serves as a comprehensive guide outlining the company's expectations for suppliers across various domains. These expectations encompass legal compliance, respect for human rights, anti-corruption measures, responsible sourcing practices, and environmental protection efforts.

Spuntech emphasizes the significance of suppliers adhering to international human rights standards and respecting the rights of employees and the surrounding community. Additionally, Spuntech mandates compliance with labor laws, including minimum wage, maximum working hours, and prohibition of forced labor. The company emphasizes creating an inclusive workplace devoid of discrimination, harassment, or abusive conduct. Suppliers are mandated to provide a safe and hygienic work environment in compliance with relevant laws and regulations. This includes providing appropriate safety training, emergency preparedness plans, and personal protective equipment to ensure workplace safety.

Environmental protection is another key priority for Spuntech, and suppliers are encouraged to adopt environmentally sustainable practices by using eco-friendly inputs, maintaining up-to-date environmental permits, and responsibly managing environmental impacts.

Governance practices are another area of focus, with suppliers expected to maintain high standards of integrity, transparency, and fairness in their dealings with Spuntech.

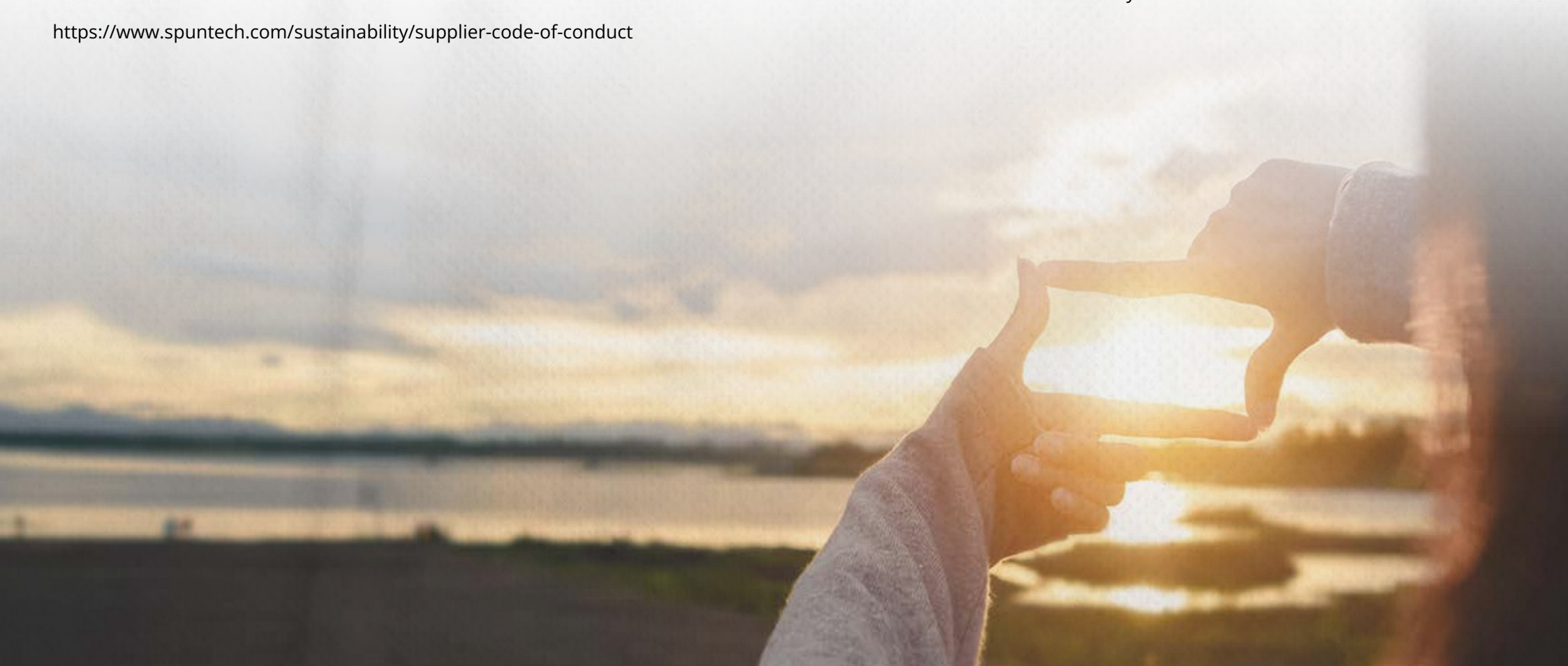
Overall, suppliers are expected to fully comply with the Spuntech Supplier Code of Conduct to maintain a partnership with the company. By adhering to these standards, suppliers contribute to Spuntech's commitment to ethical business practices, sustainability, and social responsibility.

For more information please see our Supplier Code of Conduct

<https://www.spuntech.com/sustainability/supplier-code-of-conduct>

Looking Ahead

In the year 2024, Spuntech will continue making significant steps forward in bolstering environmental sustainability. With a primary focus on climate action, they will persistently strive to enhance energy efficiency and curtail resource consumption. This effort will involve conducting Lifecycle Analyses for an expanded range of products manufactured at the Roxboro facility and elsewhere, tailored to meet customer demands. A new Business Intelligence (BI) system will be introduced to monitor energy consumption per product and across the entire plant in Roxboro. The aim is to achieve zero instances of non-compliance in waste separation surveys. Additionally, Spuntech will undertake its inaugural CPD reporting initiative and undergo re-evaluation by Ecovadis. The adoption of ISO 14001 and ISO 45001 standards will further underscore their commitment to sustainability at the Roxboro site.



Social

Introduction

At Spuntech, building and retaining a talented team, creating an environment where every employee can connect, grow, and collaborate in a healthy and safe workplace are all priorities. Continuous professional improvement is encouraged, as Spuntech believes in the that business objectives are achieved through engagement at all levels.

Spuntech holds its employees as its greatest asset, therefore empowering them to excel and innovate, providing equal employment opportunities, respecting all labor laws and refraining from workplace discrimination based on any status.





395

Employees Globally



100%

of employees are
Spuntech's employees



33%

of middle management
level are women



45%

of the Israeli workforce
is minorities



40%

of the USA workforce is
African American

Sustainable Workforce

Spuntech considers its employees as strategic partners and an essential part of its core business. The company is committed to the development of its employees and providing them with an appropriate and responsible organizational culture with high standards of welfare and well-being for their benefit. The Human Resources division, in collaboration with line managers and senior management, oversees all aspects of employment conditions. Spuntech Industries is also committed to the mutual respect and dignity of its employees to maintain a robust work environment that provides protection and respect of employees' privacy and reputation. The company maintains an open and ongoing dialogue with its employees through a dedicated application that gives all employees direct access to management.

Building and retaining a talented and competent team is a key factor in the success of Spuntech's strategy and we are committed to creating an environment in which every employee can learn, grow, connect, and collaborate as well as live a safe and healthy life. We strive for continuous improvement through professional conduct and the achievement of our business objectives at all levels and believe that our success is only made possible through our most valuable asset - our employees. We are dedicated to empowering our people and providing all our employees with a safe and healthy work environment, with opportunities to grow and excel professionally, while providing a work environment where employees are encouraged to share ideas, develop, grow and thrive. Spuntech respects all labor laws and believes in an equal employment opportunity workplace. The company does not discriminate employment decisions based on race, religion, gender, sexual preference, age, nationality, disability, seniority, employment status or any other status according to law.

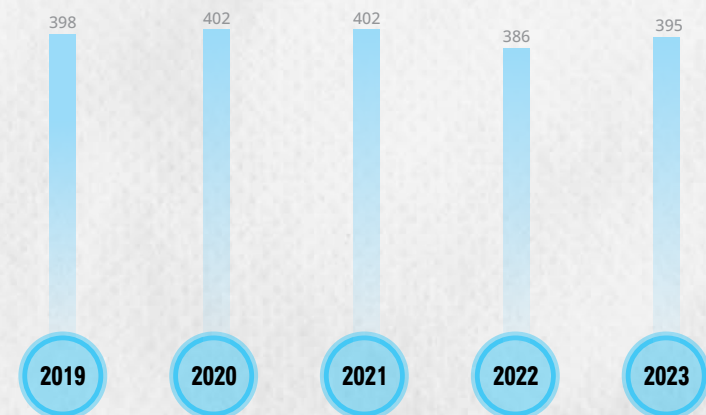


Our Employees

Spuntech considers its employees as the cornerstone of its success. With over 98% of the workforce employed full-time and a 100% permanent employment rate since 2021, Spuntech is committed to nurturing a skilled and dedicated workforce. The company maintains a positive and supportive environment, emphasizing continuous learning, growth, connectivity, and flourishing for every individual. Through a focus on professional behavior and ongoing improvement, Spuntech empowers its employees to achieve excellence, ensuring they feel valued and esteemed. This dedication extends to creating a safe and healthy workplace, offering avenues for professional development, and fostering open communication and collaboration. Spuntech recognizes that its accomplishments stem from the dedication and abilities of its employees and thus advocates for equal opportunities, treating all employees with fairness and respect, irrespective of their backgrounds or personal identities. Over the years, both female and male employees used their right for parental leave and 100% of them returned to full employment.

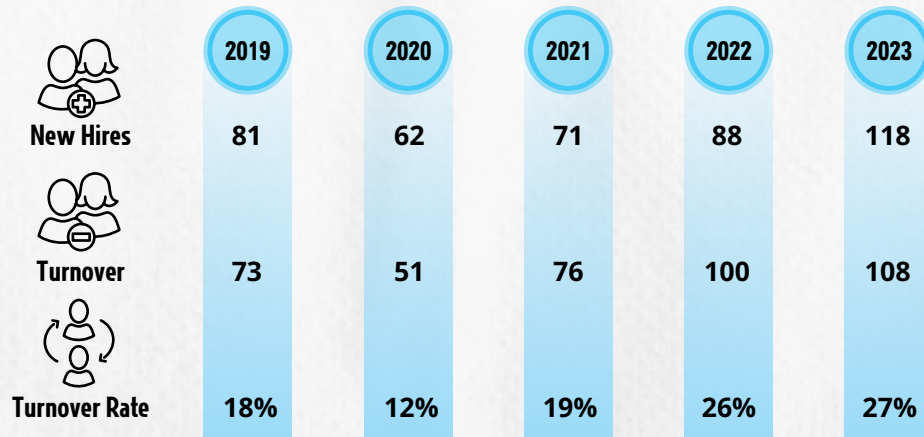
As of December 2023, Spuntech employs 187 people in Israel and 208 people at the United States.

Total Employees



Turnover and New Hires

Turnover rates at Spuntech averaged at about 19.8% annually over the entire group. Most of the turnover was in the middle age group of 30-50. The new hires trends are similar, both in age and gender. The values align with industry benchmark of 15-20% in the manufacturing industry¹. During the last two years, an organizational change was implemented, resulting in a decrease in managerial positions. Furthermore, after the COVID-19 crisis, many of the production workers relocated, thus causing an increase in turnover rate and in new hires.



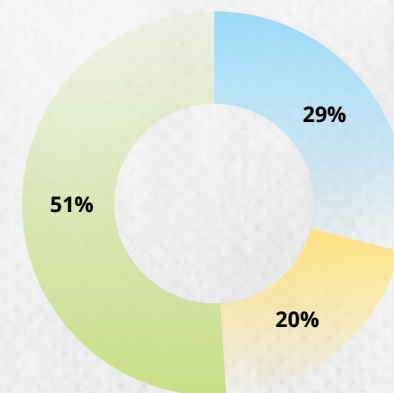
Promoting Diversity and Equal Opportunity

At Spuntech, discrimination based on race, color, religion, sex, sexual orientation, personal condition, nationality, ethnicity, disability, or age is strictly prohibited. Any violation of this policy may result in disciplinary action or termination of employment. The company maintains a diverse workforce, offering a range of employment opportunities in various fields such as project management, marketing and sales, operations, supply chain, production, and more.

As of 2023, approximately 50% of the Israeli workforce comprised employees from under-represented communities, a proportion that has been consistently maintained over the years. In the USA, the percentage of people of color in the workforce is steadily increasing, currently standing at 47%. Furthermore, 23% of the entire global workforce consists of women, with 33% of all middle management positions being held by female leaders who excel in their roles.

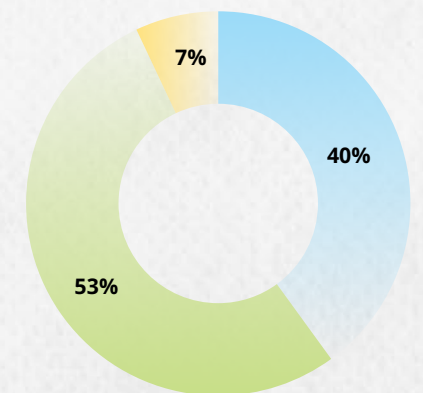
At Spuntech, compensation rates between men and women are found to be insignificant, with discrepancies primarily arising from differences in seniority or additional responsibilities undertaken by individual employees. Spuntech is committed to maintaining this equitable approach and ensuring that fair compensation practices continue in the future.

Israeli WorkForce Diversity 2023



Israeli Arabs Jews Other Minorities

USA WorkForce Diversity 2023



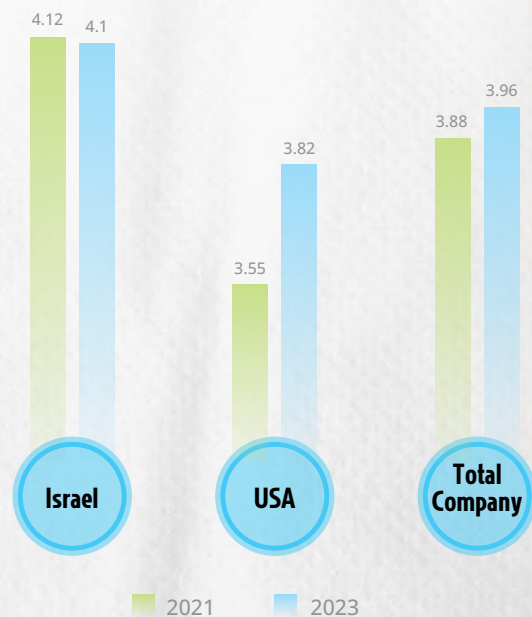
African American White Other Minorities

¹ [2022 Employee Turnover Rates by Industry | Reward Gateway](#)

Biennial Employee Survey

Spuntech conducts biennial employee survey, which includes questions regarding employees' understanding of their job expectations, access to necessary tools and knowledge, feelings of professional and personal appreciation, social status, and opportunities for self-promotion. Responses are rated on a scale from 1 (strongly disagree) to 5 (strongly agree). Approximately 60% of employees in both Israel and the USA participated in the survey.

Employee Survey Results



Employee Benefits and Welfare

At Spuntech, every employee is valued and appreciated for their contributions. Throughout the year, the company ensures that all holidays are celebrated, organizes team-building activities and company events, and provides gifts on holidays, birthdays, and other significant occasions. It is imperative to Spuntech that all employees are satisfied with their jobs, and recognition of hard work is consistently demonstrated. Spuntech holds a compassionate approach towards personal challenges, offering health and mental support, particularly during rough times. The last months of 2023 were the most challenging with war raging in the south and north borders of Israel. Spuntech has risen to the challenge, which is expanded in the Continuity at war section.

The company covers the liabilities of the benefit and retirement plans for all group employees. Spuntech ensures 100% participation in mandatory schemes, as required by Israeli law since 2008, which mandates that every employee must have pension insurance funded through provisions from both the employee and the employer. Furthermore, the employer is obligated to allocate specific amounts for the employee's severance compensation fund.

Spuntech provides a range of benefits to support employee well-being, including healthcare, disability and invalidity coverage, parental leave, and retirement provisions. Additional benefits such as extended life insurance and compensation for extra hours on vacation and sick days are also provided. Furthermore, Spuntech prioritizes employee health and safety, addressing these matters with extreme caution as outlined in the Occupational Health and Safety section.

Several mechanisms have been put in place for employees to share any work-related questions, raise concerns or report harassment to the HR representative. Employees can contact designated HR representatives located in every department or submit anonymous complaints through Spuntech's internal communication system. The HR department is responsible for handling all issues and complaints raised by employees.

In recognition of the importance of employees and their family's welfare, Spuntech continuously organizes:

- Recognition and gifts for holidays and family milestones, such as first grade, weddings, and birthdays.
- On-site family events, such as holidays celebration for all religions together.
- Annual company

Training and Development Programs



7,217
of training hours
completed on 2023



100%
of all employees undergo
an annual performance and
career development review.

Spuntech prioritizes the professional development of its employees. All of Spuntech's employees participate in annual reviews, where their annual performance is evaluated, and advancement plans are laid out. Within the production lines, the company invests in its employees, equipping and training them to operate various machines and systems so they feel valued and significant, ensuring their work is diverse and challenging.

Through annual reviews, individual training and education needs are identified based on current roles and career aspirations. A comprehensive training program is then created to address these needs across all levels and departments. Peer learning and collaborative learning is fostered through a middle management forum launched in 2023. One of the most exciting outcomes of this forum is the newly worded company vision and values, to be implemented during 2024. across all Spuntech facilities. Knowledge sharing flourishes through various initiatives, such as Veteran Employee Mentorship, where experienced employees coach and guide newcomers, thereby ensuring a smooth onboarding and proper knowledge handover. Participation in international conferences like

the prestigious four-year ITMA event in Barcelona brings employees from Israel and the USA together, fostering cross-cultural exchange and idea sharing. This commitment to learning and development empowers Spuntech's workforce, fostering a culture of innovation and continuous improvement.

100% of all Spuntech employees have been trained in human rights through the ethical code training courses, and these are publicly available on noticeboards.

Occupational Health and Safety

Spuntech has a comprehensive occupational health and safety program in place. The CEO is involved in the quarterly safety meeting, and Spuntech's Safety Plan outlines the Company's occupational health and safety policies and procedures.

All sites are operated in compliance with the local regulations, including OSHA for the USA site. In Israel and Roxboro, site safety committees, made up of both workers and management, convene at least eight times a year. In Israel, to actively engage involve employees in occupational health and safety, a WhatsApp group is active for documenting hazards and risks to be addressed before an accident happens, all the EHS reports are readily available in the mess halls and the matter is discussed in all the company-wide gatherings. In the Roxboro facility, the breakroom monitors and the quality management, that is placed near the time clock, inform the employees on monthly KPIs and progress, fire exits and routing, incidents and corrective action and more. Finally, there are safety procedures for employees to ensure that they are aware of the Company's requirements. All employees are covered by the EHS management system.

Every employee in the Spuntech group, as well as any new hires upon their initial hire, goes through an annual occupational health and safety training. Professional annual training is also given in compliance with industry standards and local regulations, covering topics like first aid, working at heights, operating machinery, and using forklifts. Everything is documented in the human resources training folders in Israel and on the Learning Management System in Roxboro. Moreover, each shift in the Israeli facilities receives two more annual EHS full day trainings – one dedicated to collaborative learning and setting targets for the upcoming year and the second is for practicing emergency scenarios, as detailed in Spuntech's procedures. The Roxboro plant maintains a bi-yearly evacuation

training. There is also an H.E.C. Lock-out-tag-out program for electrical isolation of a machine undergoing maintenance. The machine is disabled and locked with a physical lock to prevent accidental operation. All personnel are trained on this program, from the maintenance and plant-floor employees, as well as affected personnel, as observers and non-participants. This paradigm will be instituted in the shipping area to prevent trucks pulling away while still being loaded. All employees are covered by the EHS management system both in Israel and in the USA.

As per Israeli law and standard procedure, a triennial risk assessment is conducted across all 24 workstations at each Israeli site. The assessment team, including the HSE manager, shift manager, employee, and production engineer, reviews processes during machine setup, production, and maintenance, identifying and discussing ways to mitigate existing risks. Recommendations are then presented to a 10-member safety committee, integrated into a work plan, and monitored for implementation.

Employee Health Promotion and Prevention of Occupational Diseases entail various measures to ensure employee well-being at the workplace. In Israel, environmental monitoring is required by law every two years, involves a health expert assessing potential health risks, notably noise, which is monitored biennially. It has been established that the only risk to employee health is harmful noise levels (higher than 85dB on average), therefore, efforts to mitigate noise include machine guards and provision of protective gear. Annual hearing tests are mandated for those exposed to harmful noise, with results reported to the employment inspector. Safety Data Sheets are publicly available, and all employees are SDS trained during general and area-specific training sessions. Hands on training is always preferred, from fire fighters to ergonomics.

As to being extra careful, Spuntech has determined internally that fiber exposure on maintenance days necessitates full face mask usage, toxic substances like hypochlorite 12% are handled under permit, with designated officers overseeing their approach, alongside precautions for detergents. Physical strain concerns are addressed through training on back strain prevention and ergonomic measures. While efforts are made, areas for improvement include more frequent monitoring of all hazardous substances, comprehensive training on substance handling, and further ergonomic enhancements.



The Roxboro plant has introduced a new initiative called "the friendly reminder." This program aims to initiate a cultural shift in employee mindset, fostering mutual assistance in upholding safety standards on the production floor. Operating informally, it dispenses with formal reporting procedures, thereby encouraging open communication between all employees, regardless of rank or authority. The goal is to promote safe working practices, mitigate human error in forgetting to adhere to Spuntech's Safety Procedures, and minimize formal disciplinary actions by valuing feedback and self-correction initiated by fellow employees. Employees are expected to attentively remind each other of procedures not being followed in a polite and considerate manner. Upon receiving such reminders, employees are anticipated to acknowledge the information and rectify their behavior accordingly.

Spuntech holds a low rate of high consequence work-related injuries of holding a steady value of LTIR². 2021 was a very abnormal year with three serious accidents that happened in the Tiberias facility during maintenance, however did not cause any permanent disability to the injured employees. Each accident was investigated and recommendations for extra safety measures and procedure updates were implemented immediately.



² LTIR – Lost Time in Recovery

Looking Ahead

Health and Safety remains a top priority for Spuntech in 2024, with the primary objective being the elimination of work-related accidents requiring Lost Time in Injury. To achieve this, Spuntech plans to conduct Job Safety Analyses (JSAs) in 14 workstations in Tiberias and 11 in Shamir. Additionally, ten safety upgrades are scheduled for implementation across the Israeli facilities.

Ensuring comprehensive safety measures, Spuntech aims for 100% of all employees to undergo safety training. New employees or those assigned to new workstations will undergo safety testing within a month of starting, and certification will be required for new workstation assignments. Shift managers will continue to conduct safety briefings at the beginning of each shift and on maintenance days, reinforcing the importance of safety protocols among employees. The safety hazard reporting process will be simplified and optimized to facilitate improved reporting, analysis, and tracking.

Furthermore, Spuntech will actively promote employee engagement in safety protocols by fostering hazard reporting, encouraging participation in Job Safety Analyses (JSAs), and facilitating involvement in investigative measures as needed. The company commits to transparency by publicly disclosing all accomplishments and Safety Committee procedures. It strives to exceed mere compliance, aiming to instill a sense of personal responsibility for safety among individuals. The primary objective is to heighten awareness to prevent avoidable accidents.

Our Community Involvement

Spuntech believes in giving back to the community that surrounds its facilities, by volunteering with various organizations and donating to nonprofits that share the same social values. Monetary donations are made on a regular basis to various charities in Israel, including Poriah Hospital in Tiberias, The Israeli Cancer association and more. In 2023, monetary donations increased sixfold due to the Iron Swords war. For more information, please refer to the Continuity at war section of this report.

The employees at the Roxborough facility have joined the "Relay for Life", a community-based fundraising event located in Person County, NC, supporting the American Cancer Society's mission. This global initiative involves over 5,000 events annually, spanning more than twenty countries, and includes local gatherings, university campaigns, and virtual events. As the American Cancer Society's flagship fundraiser, Relay for Life aims to enhance cancer survival rates, reduce cancer incidence, and improve the quality of life for patients and caregivers. Spuntech



has set a fund of raising \$10,000 which has been surpassed by raising an astonishing \$12,000. With a budget of \$2,000 for expenses, the project relied on Spuntech's dedicated employees, volunteering 80 hours dedicated to event planning committee activities. The key impacts of the project include financial support for cancer-related initiatives, community engagement, unity, cancer awareness, education, empowerment of survivors, psychosocial benefits, and a potential long-term impact on cancer rates.

Spuntech Group's operations has no significant - actual or potential - negative impacts on any of the local communities' surroundings the locations of its operations.

In addition to Spuntech's involvement with local communities, a significant portion of the company's expenditure on suppliers in 2023, almost 70%, was directed towards local suppliers. This approach has multiple benefits, the main being strengthening ties with the local economy, contributing to its growth and stability, and reducing the environmental impact and greenhouse gas emissions associated with transportation. By prioritizing local suppliers, Spuntech demonstrates its commitment to sustainability and reducing its carbon footprint in its supply chain operations.

Looking Ahead

At Spuntech, employees are valued as strategic partners integral to both current operations and future growth. The company is committed to achieving its business objectives across all operational domains by fostering strong relationships and positive experiences. Human Resources endeavors to seamlessly integrate human resource and organizational management to enhance productivity and profitability. This involves spearheading organizational changes, providing support to managers and staff, and cultivating a culture that aligns with the company's strategic vision. Additionally, HR is tasked with nurturing and developing talent throughout employees' tenure. Spuntech's HR objectives for 2024 include reducing turnover and attrition rates to 15%, enhancing the effectiveness of training programs, and bolstering employee satisfaction.



Governance

Corporate Governance

Strong corporate governance is crucial for ensuring the responsible management of public companies. It involves principles, processes, and structures that balance stakeholder interests and promote long-term sustainability. NR Spuntech Industries, a publicly traded company on the Tel Aviv Stock Exchange since 2004, follows the guidelines set forth by the Israeli Securities Authority, which outline rules and procedures for good corporate governance in public companies. These guidelines cover various aspects, including management composition, executive compensation, related-party transactions, transparency, and reporting.

Responsible business conduct entails embracing values such as ethics, integrity, social and environmental responsibility, and transparency across the

company's value chain. This approach contributes significantly to long-term success by protecting stakeholder rights, fostering a healthy environment, and upholding sustainable practices.

Corporate governance and responsible business conduct are part of Spuntech's driving forces, emphasizing their critical role in its long-term success. By embracing them, Spuntech's management actively contributes to securing a healthy and sustainable future for the company, its stakeholders, and the environment.



Remuneration Policy

Spuntech implements a Remuneration policy which awards annual bonuses to both workers and executives. The decision to issue these bonuses relies on the approval of the company's management and CEO. The bonuses are disbursed in the year after the profit year and consist of both fixed and variable components. The amount is contingent upon the company's performance in the preceding year, the employee's tenure, and recommendations from management.

The ratio of remuneration given to the highest salary earner in the company to average salary complies with local regulation.

Responsible Business Conduct

Spuntech conducts an annual management review to assess the quality, environmental and EHS management systems and to ensure their effectiveness. These reviews include ensuring that all procedures are up-to-date, corrective actions and preventive actions implemented, client surveys are observed, ESG aspects reviewed and handled in a timely fashion and more.

As part of the management review, an annual risk assessment is conducted by the CEO, the Board's Audit committee and the internal auditor. As Spuntech is an industrial manufacturer, environmental risks are carefully considered alongside safety, human resource management and others. These risks are analyzed carefully by the relevant managers, prioritized and corrective action is taken. As part of this process, the board of directors has initiated the decision to publish an ESG report. In accordance, Mr. Motti Bechor was appointed with the responsibility of managing the ESG issues in the company's global operations. The management is responsible for reviewing and approving the sustainability report.

Spuntech is committed to responsible business conduct as it is reflected in its yearly financial statement, ISO accreditations and Code of Ethics. Among other policy commitments, Spuntech publicly committed to respecting human rights, conducting due diligence and applying the precautionary principles it holds.



Code of Ethics at Spuntech

In 2022, Spuntech has updated its code of ethics that stands as a guide for mutual rights, obligations and expectations between the company and all its stakeholders. The Human Resources department is responsible for the daily management of business ethics, in ensuring that the ethical code is communicated to all employees, facilitating training programs, managing reporting procedures and investigating alleged violations. The board of directors is responsible for overseeing their implementation. In addition, the board has an internal audit committee, comprised of one internal and two external directors, which monitors the company's compliance with its business ethics policies and procedures.

The code of ethics acts as Spuntech's moral compass regarding Spuntech's ethical business standards and its relations among employees, which apply for every single employee, from the board of directors and senior management to line managers and workers. To ensure this, all employees undergo annual training on the company's code of ethics.

Spuntech's ethical code prohibits any form of discrimination based on race, religion, gender, age, disability, sexual orientation, union membership, political affiliation, or any other protected status. Harassment and abuse based on any of these grounds are explicitly prohibited harassment and all employees are expected to behave with integrity and respect to their colleagues.

This applies to all aspects of employment, including hiring and compensation, access to training and promotion, termination or retirement or the work environment and interactions.

Spuntech's Ethical code also details its commitment to maintain ethical behavior in business dealing, without any form of corruption or bribery, including giving or receiving gifts, favors, payment facilitations or any other form of personal affairs. Moreover, the ethical code also details Spuntech environmental awareness with a commitment to uphold all relevant laws and minimize its environmental impact and prevent pollution.

As of 2023, all Spuntech employees received training on the company's code of ethics.



The Board of Directors

Spuntech's Board of Directors is comprised of four incumbent directors and two non-affiliated directors. The nomination process is managed by Spuntech's General Assembly. In accordance with the law, the tenure for incumbent directors is evaluated and considered annually and for non-affiliated independent directors every three years, and then voted on at the general assembly. All conflict of interests is noted and resolved. Director's compensation is determined in accordance with the directors' compensation regulations and is managed accordingly. The board of directors operates according to an annual work plan, which includes, among other things, approval of quarterly reports, approval of the budget, and the company's target plan. The audit and remuneration committees also operate according to structured work plans in accordance with the law and regulations, as required by the company's needs. Renumeration of the board is discussed in the Renumeration and the Audit Committees once every three years and approved by the general assembly. All the proceedings are made public, in accordance with the Israeli Security Authorities guidelines.

The Chairman of the Board is Mr Yonatan Ironi, who is not a Spuntech executive. The internal auditor is Mr Ofer Alkaly, who was approved by the audit committee and the board itself.

The Board of Directors comprises three committees: Audit, Remuneration, and Financial. The Audit committee, in collaboration with the internal auditor, oversees Spuntech's annual workplan, which encompasses various topics identified through the risk assessment process. Notably, environmental matters hold particular significance given Spuntech's status as an industrial manufacturer with the potential for substantial impact.



Local and International Standards and Regulations

Sites Licenses and Certifications

At Spuntech, ensuring customer satisfaction is our top priority. We achieve this by maintaining unwavering product quality and adhering to stringent quality assurance protocols. Our company diligently establishes, records, and maintains robust quality, safety, and environmental management systems to uphold this commitment. Furthermore, the production lines are fitted with advanced in-line visual and metal detection systems that meticulously monitor the fibers and fabrics throughout the manufacturing process, adhering to industry's best practices. Spuntech's dedicated analytical and microbiological laboratories conduct product testing in strict compliance with established industry standards, including INDA, ASTM, ENDANA, and USP 61/62. This multi-pronged approach ensures that Spuntech products consistently meet their customers' expectations. Spuntech's products are also certified as chlorine free products.

Spuntech's manufacturing facilities are certified for:

-  **ISO 9001 standard**
for quality management systems
-  **ISO 27001 standard**
for information security management system (ISMS)
-  **Program for the Endorsement of Forest Certification**
indicating Spuntech's support of sustainable forest management and responsible sourcing of wood and paper products. (PEFC)
-  **Forest Stewardship Council certification**
demonstrating Spuntech's commitment to promoting environmentally and socially responsible forestry practices (FSC)
-  **OEKO-TEX standard**
ensuring that textile products have been tested for harmful substances and comply with global safety and sustainability standards.

The Israeli sites also holds:

-  **ISO 14001 standard**
for environmental system (EMS)
-  **ISO 45001 standard**
for occupational health and safety management system (OHSMS)

The USA site was certified by SMETA in 2023 and the Israeli sites will be certified during 2024.

The USA sites to be certified during 2024 for ISO 45001. Spuntech has been rated by EcoVadis and has been awarded a silver medal in 2022 and a bronze medal in 2023.



Regulatory Compliance

Throughout 2023, Spuntech remained free from any instances of non-compliance with laws and regulations, and faced no legal actions related to anti-competitive behavior or corruption. Spuntech operates under ongoing supervision by environmental authorities to ensure compliance with laws related to environmental quality. It possesses necessary permits and approvals as required by local regulations. Environmental laws may affect activities such as wastewater treatment, air pollution control, and waste management, with all facilities adhering to requirements. Water is treated for reuse by a filtration system, with excess undergoing processes for solids extraction and purification, meeting regulations. The company ensures adherence to all environmental regulations and is not involved in any investigations.

About This Report

We take pride in presenting NR Spuntech Industry's first ESG Report. This report reflects Spuntech's dedication to creating long-term value and promoting a better world for future generations, in line with the United Nations Sustainable Development Goals (UN SDGs). It encompasses performance data from January 1st, 2019, to December 31st, 2023, across all sites. The report adheres to the GRI (Global Reporting Initiative) 2021 Standards and the SASB Pulp and Paper indexes. The report has undergone an internal review process, approved by Spuntech's management.

The report includes assumptions, which are consistently indicated and typically rely on internal company data unless specified otherwise. If there is any inconsistency between the information presented in this report and the financial reports, the wording of the financial report takes precedence. The company's CO2e emissions are calculated separately for each country using location specific emission factors.

The report was written with support of BDO Consulting's ESG Unit. The Unit has an extensive experience in GRI reporting.



For more information, inquiries, or suggestion regarding the report, please contact:

Mr. Motti Bechor

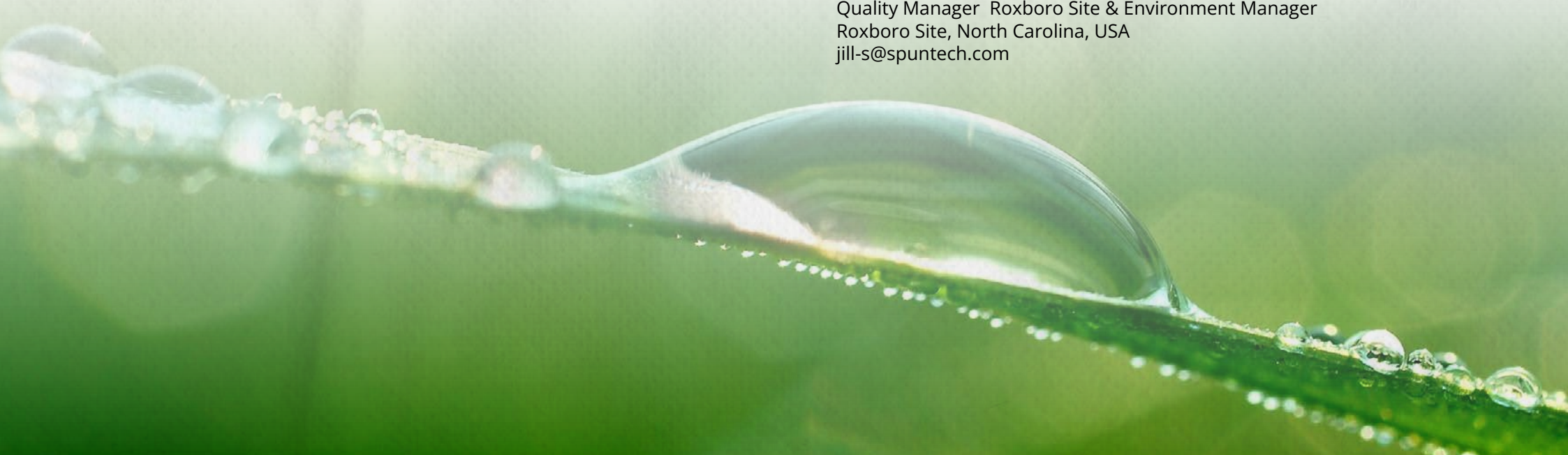
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Reporting Frameworks

GRI Content Index

This report references Standard Disclosures from the GRI Sustainability Reporting Standards. The index below lists the indicators from the guidelines that are met in the report: **Spuntech Ltd. has reported with reference to the GRI Standards for the period of 01.01.2022 – 31.12.2023.**

GRI Standards	Index	Description	Page
GRI 1 Foundation 2021	2-1	Organizational details	9
	2-2	Entities included in the organization's sustainability reporting	9
	2-3	Reporting period, frequency and contact point	2, 43
	2-4	Restatements of information	Not relevant
	2-6	Activities, value chain and other business relationships	3, 14, 27
	2-7	Employees	31
	2-8	Workers who are not employees	31
	2-9	Governance structure and composition	10, 41
	2-10	Nomination and selection of the highest governance body	41
	2-11	Chair of the highest governance body	41
GRI 2 General Disclosures 2021	2-12	Role of the highest governance body in overseeing the management of impacts	41
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	2-14	Role of the highest governance body in sustainability reporting	41
	2-15	Conflicts of interest	41
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	2-20	Process to determine remuneration	39
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	2-24	Embedding policy commitments	26
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	2-26	Mechanisms for seeking advice and raising concerns	34
	2-27	Compliance with laws and regulations	35, 42
	2-29	Approach to stakeholder engagement	14
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GRI 3 Material Topics 2021	3-1	Process to determine material topics	15
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GRI 3 Material Topics 2021	3-3	Management of material topic	19
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GRI 303 Water and Effluents 2018	303-3	Water withdrawal	22, 49
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GRI 305 Emissions 2016	305-1	Direct (Scope 1) GHG emissions	21, 49
	305-2	Energy indirect (Scope 2) GHG emissions	
	305-4	GHG emissions intensity	21
	305-5	Reduction of GHG emissions	

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	306-2	Management of significant waste-related impacts	23
	306-3	Waste generated	23, 49
	306-4	Waste diverted from disposal	23
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GRI 3 Material Topics 2021	3-3	Management of material topic	15, 31-32
GRI 401 Employment 2016	401-1	New employee hires and employee turnover	32
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	34
	401-3	Parental leave	31
GRI 404 Training and Education 2016	404-1	Average hours of training per year per employee	50
	404-2	Programs for upgrading employee skills and transition assistance programs	34
Occupational Health and Safety			
GRI 3 Material Topics 2021	3-3	Management of material topic	35-36
GRI 403 Occupational Health and Safety 2018	403-2	Hazard identification, risk assessment, and incident investigation	35-36
	403-3	Occupational health services	
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	403-5	Worker training on occupational health and safety	
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GRI 405 Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	32

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SASB Topic	Index	pg
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ESG Data Table

Environment

Subject	Topic	unit	2019	2020	2021	2022	2023
Total production		Ton	42,604	53,404	51,361	45,438	51,310
Waste Management	Non-hazardous waste	tons	5,659	5,678	4,536	4,350	4,918
	landfill	%	24	24	13	9	9
	reused/recycled	%	76	76	87	91	91
	biological waste	lit	3,360	4,800	4,320	4,800	4,320
	intensity	ton waste / ton manufactured	0.13	0.11	0.09	0.09	0.10
Water Management	Water consumption	m3	230,033	263,022	238,949	254,247	250,888
	intensity	m3 / ton manufactured	5.40	4.93	4.65	5.60	4.89
	Wastewater discharge	m3	111,690	141,323	138,149	120,401	131,323
	intensity	m3 / ton manufactured	2.59	2.65	2.69	2.60	2.56
Energy Management	Electricity from grid	MWh	61,722	67,642	63,550	64,160	66,565
	Production LPG	mt	846	891	334	33	25
	Production natural gas	mt	3,366	4,078	4,914	4,521	4,397
	Transportation diesel	m3	43	84	70	83	69
	Transportation petroleum	m3	82	73	102	74	87
	Total energy consumption	GJ	419,228	476,829	475,227	445,168	447,654
	Intensity	GJ/ ton manufactured	15.1	13.5	13.7	14.9	13.4
Greenhouse Gas Emissions	Scope 1	TCO2e	11,894	14,043	14,421	12,642	12,350
	Scope 2	TCO2e	18,963	20,603	19,265	19,867	20,568
	Scope 3 (cat 1,3,5)	TCO2e	202,495	217,954	209,198	196,713	212,126
	GHG intensity	TCO2e / ton manufactured	5.48	4.73	4.73	5.04	4.78

Social

Subject	unit	2019	2020	2021	2022	2023
Total Employees	#	398	402	402	386	395
Women	%	23	22	23	22	23
Men	%	77	78	77	78	77
Full Time	%	99.3	99.3	99.5	99.5	98.0
Permanent	%	97.4	97.9	100.0	100.0	99.3
Training Hours Per Employee		25	12	36	35	18
Community Involvement	\$	24,310	26,048	29,411	31,848	151,060



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Every Day, Everywhere.**

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