



PrimeAsia

QUALITY LIFESTYLE LEATHERS

**SUSTAINABILITY REPORT
2019**



MESSAGE FROM THE CEO

Dear Stakeholders,

It is our pleasure to present to you PrimeAsia's Sustainability Report, which will cover the progress of our actions in 2019.

Last year was very important for PrimeAsia. Not only did we strengthen our position as a leader in the creation and manufacturing of innovative, quality leathers, but more importantly, as a company with sustainability as the driver of strategic value in our operations.

In 2019, we achieved an important milestone by completing the expansion of our operation in Vietnam. We revealed to the world one of the most modern and efficient retanning and finishing facilities; a state-of-the-art tannery designed to make quality leathers with integrated speed to meet the ever-growing demand of fast-evolving markets. This is supported by continuous efforts to improve our environmental performance, the well-being of our employees and the care for the communities in which we operate around the globe.

With a company-wide, focused approach on sustainability, we are able stay relevant and manufacture products that are in line with market trends. We do this while maintaining the efficiency of our processes, as well as our resiliency when facing challenging times.

In this report, we have adopted an objective approach with a specific mindset; to share relevant information with our stakeholders in a dynamic and transparent way.

As we look back on 2019 and the road ahead, we would like to invite you to engage with us in creating a value chain that is based on responsible and efficient practices. Together, we can create continuous and sustainable growth.

Sincerely,

Jon Clark
CEO





INTRODUCTION

At PrimeAsia, we believe that old and misguided assumptions must be dispelled continuously using creativity and innovation; a medium to generate new solutions for the creation of better products and more efficient practices that will reflect positively in the perception of our industry.

Well processed leather is a sustainable material with outstanding properties. Responsibly made, leather is an efficient substitute for a wide range of fossil-based materials. Its unique attributes includes comfort, beauty and durability, making it an important resource in the manufacturing of products that will last longer with extended added-value.

In our facilities, we are constantly seeking ways to lower our environmental footprint. Our goal is to reduce waste generated from our processes while increasing the use of renewable energy and more sustainable raw materials. Furthermore, we understand that our operations will only be truly sustainable if we are able to work closely with our suppliers, employees and customers in designing solutions that will result in a better value-chain.

This report aims – through a clear and objective way – to share the results achieved by our team in 2019 and provide a preview of the sustainable path we will continue to follow for years to come.



Fernando Bellese
Chief Sustainability Officer





SUSTAINABILITY GOALS



OUR SUSTAINABILITY GOALS

Defining clear and quantifiable targets is the first step in achieving our macro sustainability goals. These objectives are set as important checkpoints on our journey, providing not only guidance in the development of new projects, but also transparent communication with our stakeholders.

As we created this report in the beginning of 2020, it's important we note the tremendous impact of the COVID-19 pandemic on the global community, economy, and every single one of our partners, stake-holders and customers. Through these vast challenges, it's crucial to highlight we remain steadfast and focused on our commitment to contribute to a more sustainable future.

Environmental efficiency is achieved in many ways. Some examples are training, changing mindsets, investing in new technologies, re-designing processes and re-imagining factory layouts for optimal efficiency and workflow. It's incredibly important that facilities are designed to deal effectively with the expected demand.

With considerable changes in the global demand for footwear and its components, PrimeAsia has been affected with relevant reductions in volume. While we are confident that this will be temporary, the turmoil will have a profound impact on our sustainability projects and plans to achieve our 5-year goals.

Even though those changes did not affect the 2019 results disclosed in this report, our set goals for the future will be impacted directly.

While we understand the challenges ahead of us, we decided that we would not alter our sustainability targets for the next five years, leaving those as previously set. We are aware that some of our achievements may be delayed but by keeping clear and ambitious objectives, it forces us to think outside the box. To be creative and innovative in finding ways that will allow us to respect our plan and achieve those goals.

This report presents our 2019 achievements, as well as expected results against our 5-year goals.

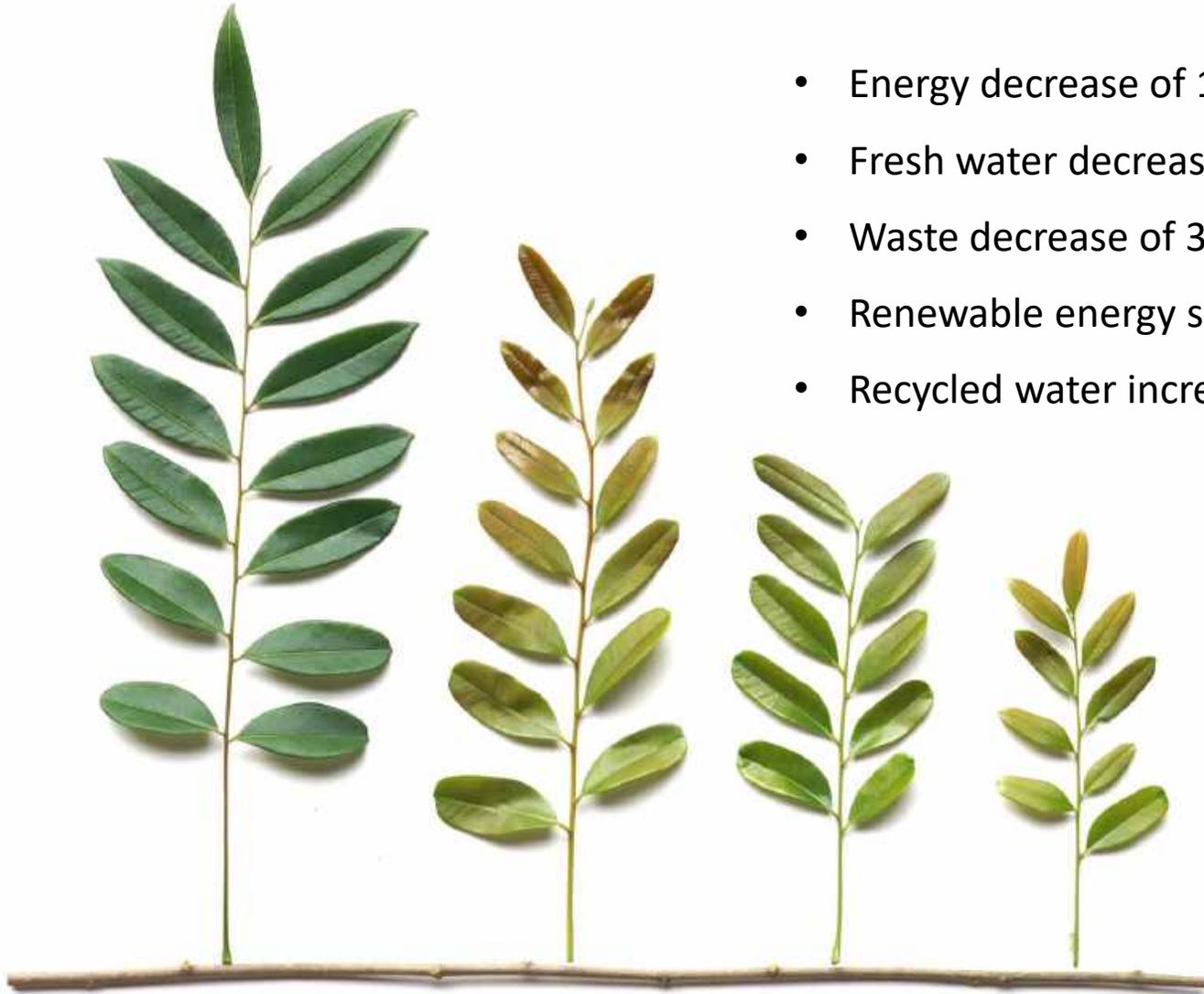
OUR SUSTAINABILITY GOALS

- Move towards zero waste and increased efficiencies
- Reduce usage of finite resources
- Utilize more sustainable raw materials through collaboration with our supply chain
- Engage our employees, customers and suppliers in social and environmentally responsible choices



OUR 5-YEAR ENERGY, WATER AND WASTE REDUCTION GOALS 2019-2023

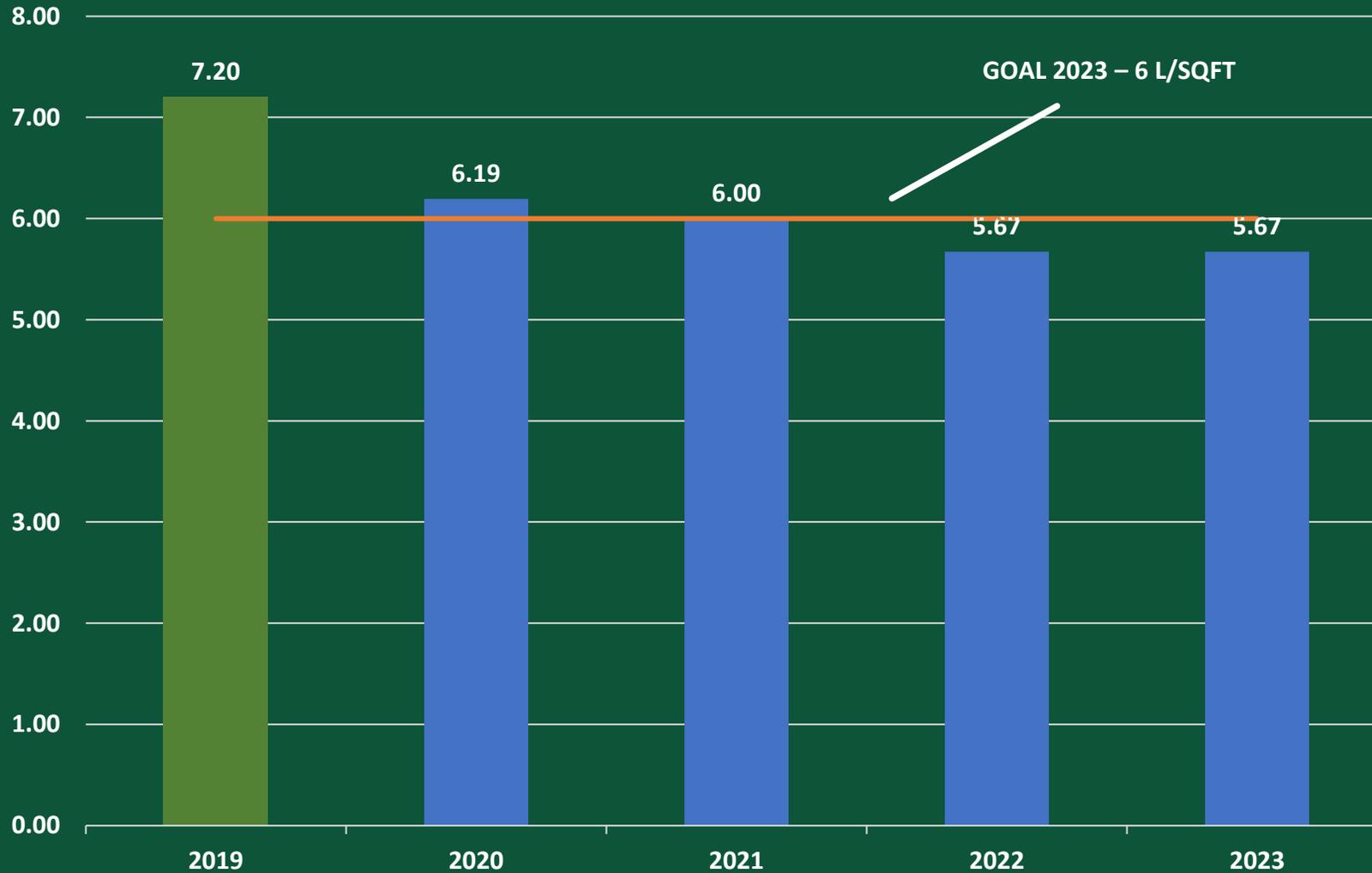
- Energy decrease of 15% per square foot of leather manufactured
- Fresh water decrease of 30% per square foot of leather manufactured
- Waste decrease of 30% per square foot of leather manufactured
- Renewable energy sources increase from 20% to 75%
- Recycled water increase from 29% to 70% of total water utilized



WATER



FRESH WATER DECREASE BY 30% PER SQFT OF LEATHER (L/SQFT)



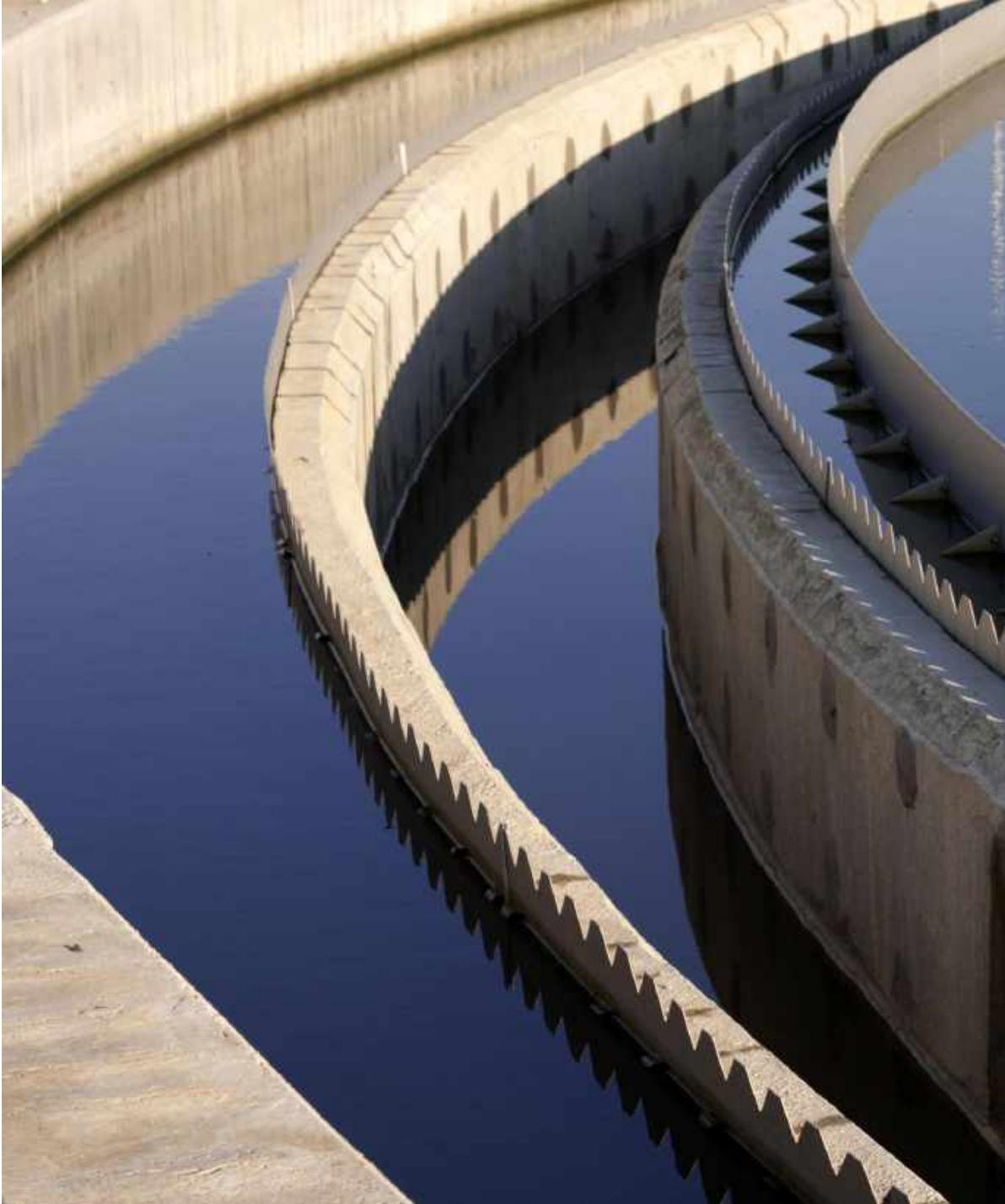
2018 Baseline: 8.57 L/SQFT

RECYCLED WATER INCREASE FROM 29% TO 70% OF TOTAL USAGE



2018 Baseline: 29%





WATER GOALS

During the expansion and modernization of our facility in Vietnam, we experienced marginal setbacks in our water goals. The construction and interruptions over the last two years resulted in a minimal increase of fresh and recycled water usage per square foot of leather.

While it was needed and expected in order to put the right structure in place and bring our efficiencies to new levels, it had a direct impact on the fresh water usage documented in this report. However, our investments have immediately started to generate significant improvements. By Q4 of 2019, the savings were substantial: we achieved a 16% reduction YOY in the amount of fresh water used per square foot of leather.

By investing in a modern wastewater treatment plant, a Fenton System, BioNet technology and enhanced water recycling infrastructures, PrimeAsia Vietnam will continue to increase its recycled water usage to be in line with PrimeAsia China's water performance.

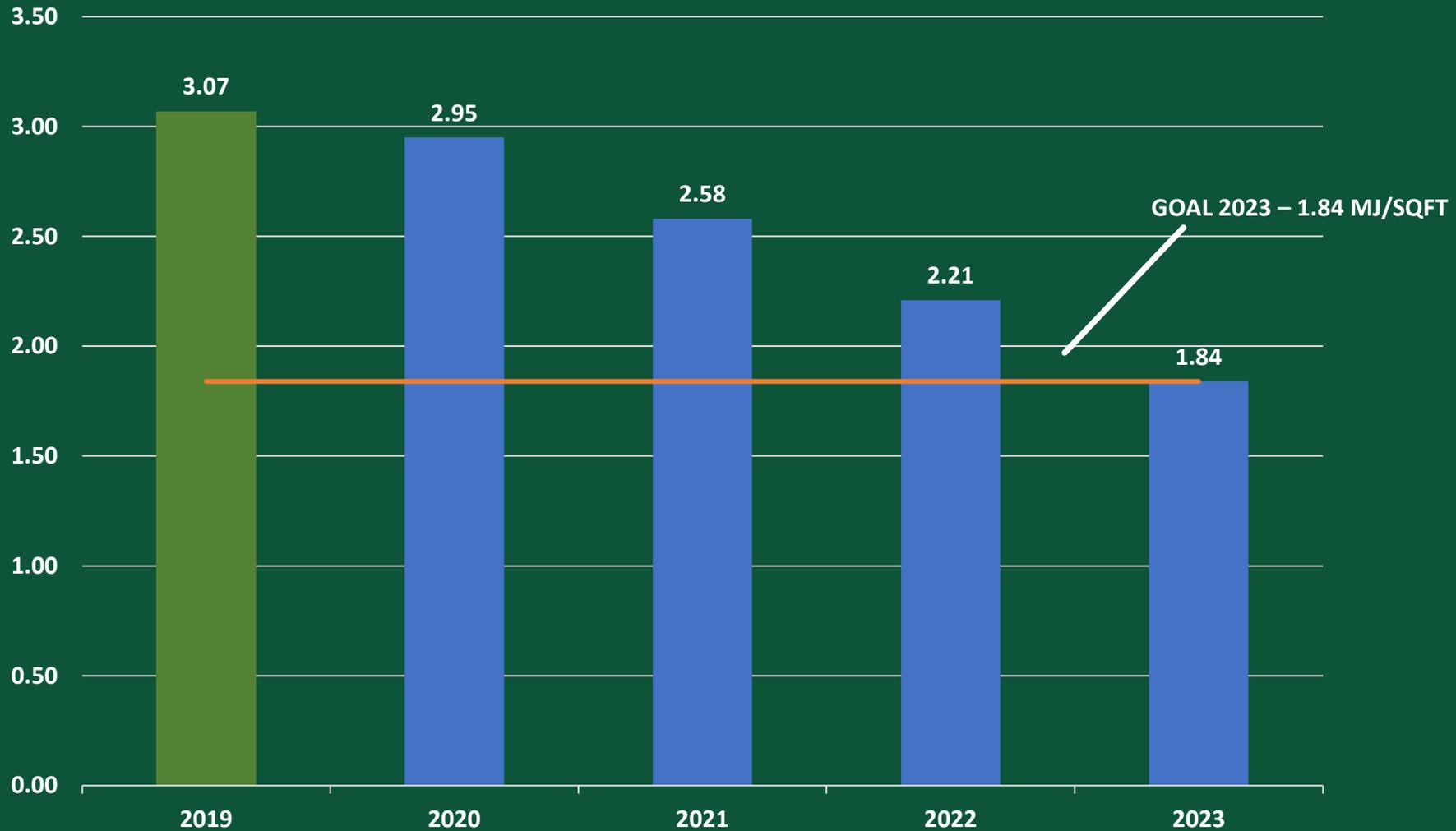
At the same time, through the addition of automated processes, new technologies and an added focus on recycled water usage, PrimeAsia China continues to look for new and innovative ways to maximize its performance.

With those investments and our dedicated approach, we anticipate that as a company, we will achieve more than 70% recycled water usage by 2023.



ENERGY

ENERGY DECREASE OF 15% PER SQFT OF LEATHER (MJ/SQFT)



2018 Baseline: 2.17 MJ/SQFT

RENEWABLE ENERGY SOURCES INCREASE FROM 20% TO 75%



2018 Baseline: 20%

ENERGY GOALS

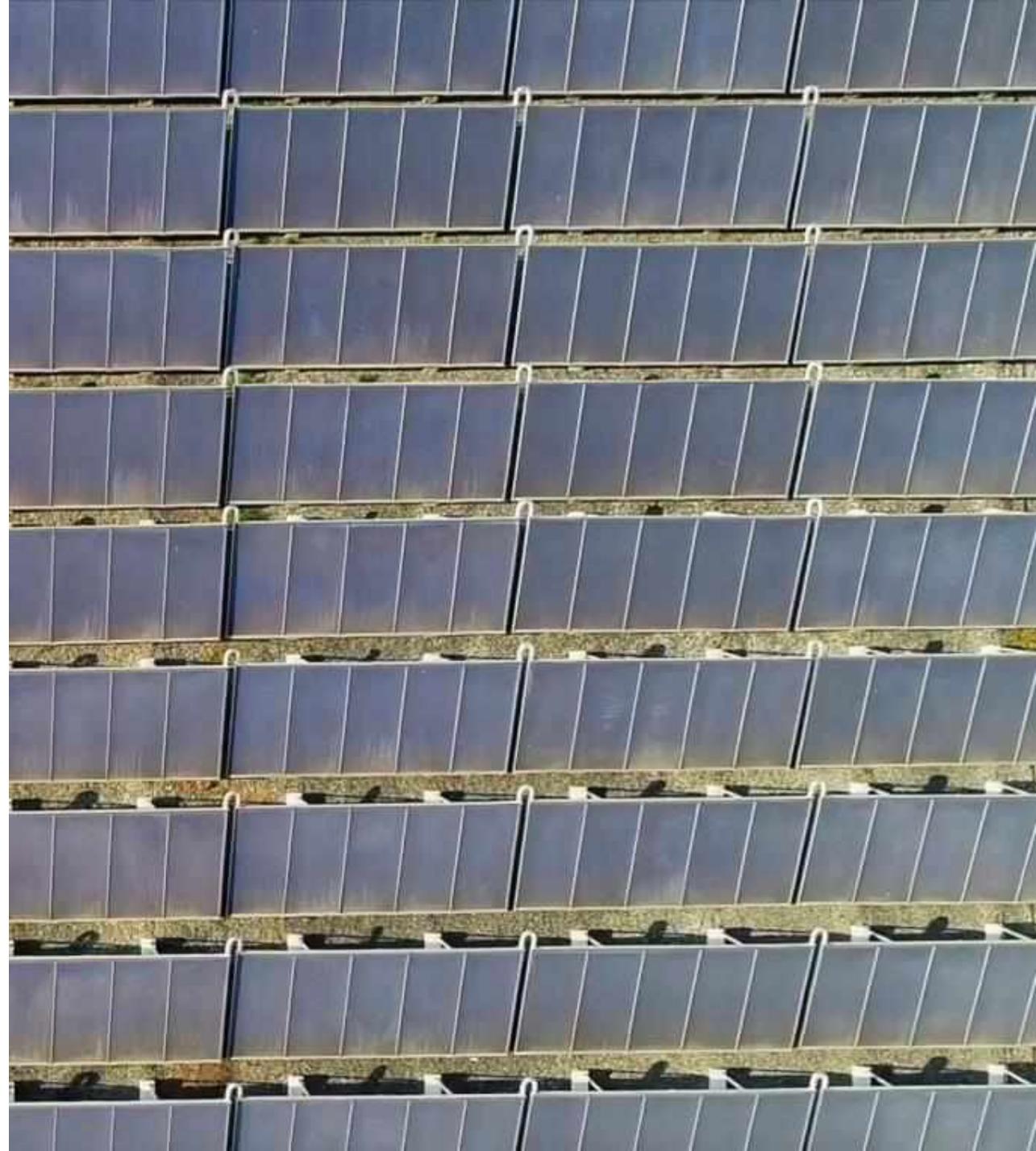
In 2019, we completed a series of investments focused on adapting to a fast-moving market and consolidating our position in this everchanging, dynamic world. These investments aimed to expand capacity, increase production speeds and reduce delivery times.

These changes not only had a positive impact on delivery times, but also in the reliability of our processes, product quality and innovation capacity. However, these coinciding projects created an initial peak in our overall energy consumption that will be compensated in the following years through a series of new projects already in process.

At the same time, while the overall energy usage has increased, PrimeAsia has considerably improved the use of renewable energy in our facilities, going from 20.00% to 51.19% of the total energy used at the end of 2019. This is in line with our aggressive target of reaching 75% renewable energy by 2023.

Projects such as the use of biomass for water heating, steam production, and the expansion of the solar system in Vietnam have had considerable contributions toward this achievement.

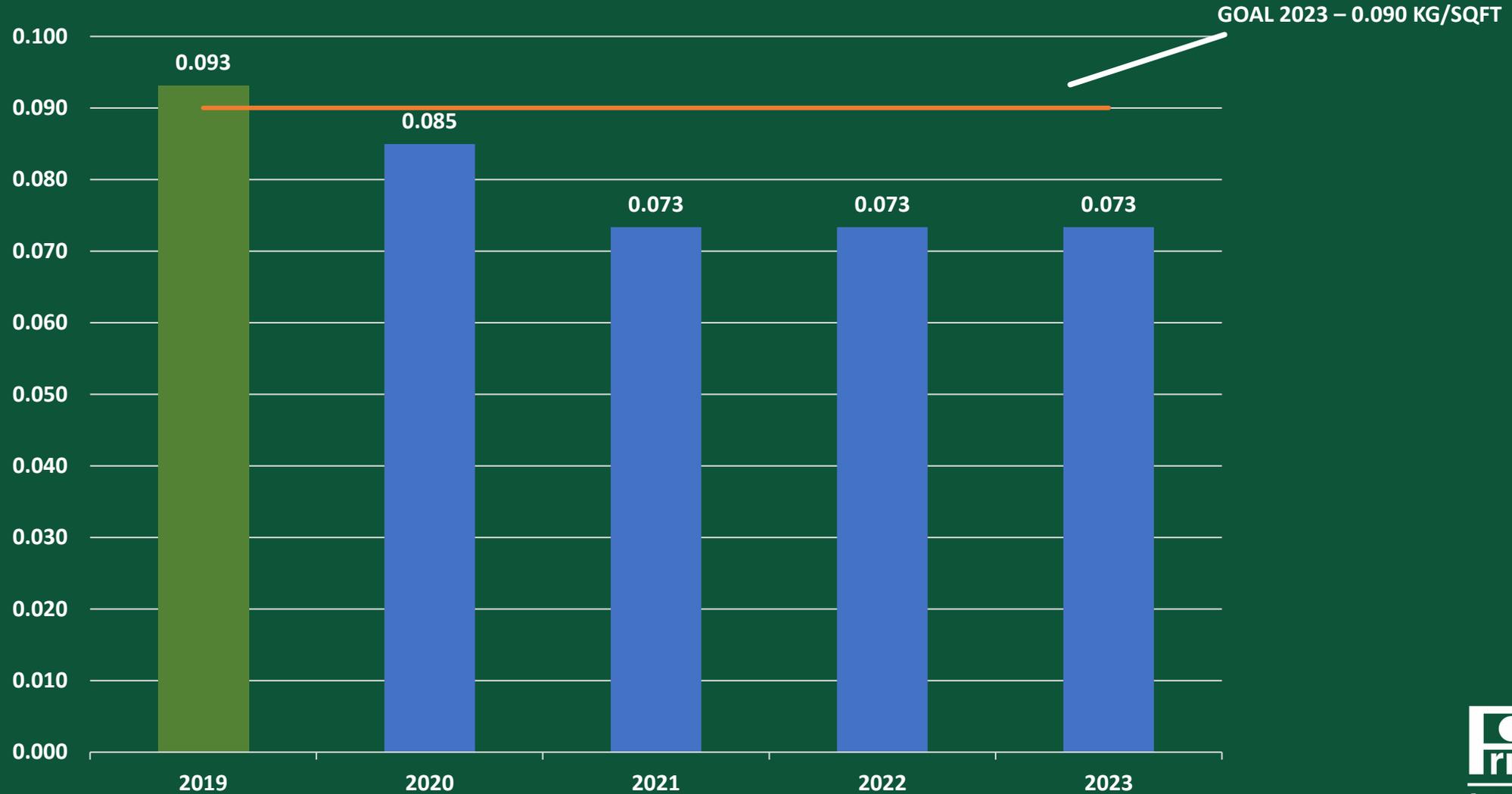
We are also investing in online monitoring of energy use, more efficient equipment and capacity building that will result in the direct reductions of energy usage per square foot of leather.





WASTE

WASTE DECREASE BY 30% PER SQFT OF LEATHER (KG/SQFT)



2018 Baseline: 0.129 KG/SQFT





WASTE MANAGEMENT GOALS

2019 was an important year in relation to our waste management goals. Investments in advanced sludge drying technologies have helped to reduce the amount of waste generated by 30% per square foot of leather compared to 2018.

At the same time, in partnership with our wet-blue suppliers, we have been working to develop new approaches to leather processing that are expected to result in positive and considerable waste reductions up and down the supply chain.

A third area in development is related to the reuse of waste as an energy source, using technologies such as gasification. This project is still being discussed with the local environmental authorities, but if approved, will support us in delivering very relevant waste reduction results.

PEOPLE



OUR PEOPLE

We believe that our team is the main reason behind our success. By having a group that is motivated, engaged in our mission and working in a healthy and safe environment, we can innovate, create new solutions and ensure our business maintains its relevance in the markets it operates.

We are proud of working in a multi-cultural environment, formed by people from around 20 countries, representing different races, creeds and beliefs. We work daily to ensure that everybody receives equal treatment independently of their origin, gender or choices. Moreover, we perceive diversity as an important asset and aspect to our success.

Dialogue is an important tool for improvement, and we are constantly working to ensure the right channels are in place to receive inputs from our teams and create a more positive environment. By working closely with unions and associations in the regions where we operate, we nurture a proactive and constructive approach with our teams.

EMPLOYEES BY GENDER

Men	Women	Total	Men %	Women %
1484	1418	2902	51%	49%

UNIONIZED EMPLOYEES

Unionized	Total Employees	Unionized %
2861	2902	99%





COMMUNITY WORK

People and Sustainability are intrinsically connected. It is not possible to develop actions that are sustainable if the people involved in those activities do not believe and are not engaged in the process. Sustainability is a matter of ensuring the health, safety and well being of our team, but it can not and does not stop there.

It is also a question of engaging with different stakeholders and ensuring the collective effort in building better communities in the towns and countries where we reside.

In 2019, the PrimeAsia team contributed more than 3,830 hours of volunteer work in over 42 different actions in China, Taiwan, USA and Vietnam.

The list includes, amongst other activities: the donation of food to impoverished families in Huangjiang Village; tree planting at Huangniupu Reservoir, environmental cleanup at the Great Barrier Leigongshan, blood donation, maintenance services at the Chu Van An and My Xuan High Schools, environmental maintenance at Can Gio Biosphere, support to the University of New Hampshire Food Basket Scheme and various beach clean-ups in New Hampshire.

	Participants	Total Hours
Vietnam	202	1,332
China	378	1,298
Taiwan	39	857
USA	73	343
	653	3,830



HEALTH & SAFETY

In 2019, we launched an audacious Zero Work-Related Incidents target and set important tasks to support the achievement of that goal. While recognizing the challenges in meeting that target in the first two years of the program, the company has concentrated its efforts in areas that will generate further improvements and result in better working conditions for our teams.

Clear procedures, investment in automation, training, awareness and the access to the adequate Personal Protective Equipment are some of the areas we are investing in to achieve this Zero Work-Related Incidents goal.

In 2019, we had 13 work-related incidents, resulting in a total of 1,480 lost hours due to injuries, representing 0.02% of the total working hours.

Injury Lost Hours	Total Working Hours	Injury rate
1,480	7,112,429	0.02%





TRANSPARENCY AND PARTICIPATION

MULTI-STAKEHOLDER ENGAGEMENT

Sustainability has become increasingly important for most businesses and they have considerably increased the amount of actions and claims related to this topic.

The higher interest in this subject has opened numerous possibilities for companies and sectors to engage in activities that will generate better practices. It also demands a stronger effort from companies to communicate in a more transparent way; to ensure the right information reaches stakeholders efficiently and in a reliable manner.

We believe involvement and meaningful participation in various multi-stakeholder initiatives are important to promote transparency and encourage the development of best practices that will have sector-wide benefits. Some of these initiatives include independent certifications, reporting platforms, multi-stakeholder forums and roundtables. We are proud to be involved directly or indirectly with all the following organizations:



Leather Naturally is an industry association that focuses on education and promotion of sustainably produced leather, inspiring and informing designers, creators and consumers about its beauty, quality and versatility. PrimeAsia is a LN founding member and participates directly in its activities as a member of both the Management Team and Supervisory group.



The Sustainable Apparel Coalition is an industry alliance that works in the development of standardized value chain measurements and reporting tools that fosters a transparent communication and the development of more sustainable practices. PrimeAsia has adopted its Higg Facilities Tools to report its Environmental and Social performance.



The Zero Discharge or Hazardous Chemicals – ZDHC – is an organization formed by more than 150 contributors with the common goal of creating and implementing a roadmap to advance the phase-out of hazardous substances, accelerating progress towards cleaner water, cleaner air and safer products. PrimeAsia was the first footwear tannery to join ZDHC as a member and participates actively in its MRSL and Wastewater Gateway projects.



LWG is a multi-stakeholder group that develops and maintains protocols to assess the environmental compliance and performance capabilities of leather manufacturers. PrimeAsia is an LWG founding member, working actively with the organization. We also currently hold a position in the Executive Committee and Technical Sub-group, supporting the discussion and development of protocols and strategies that will support the entire industry.



LIA is a Textile Exchange initiative looking at ways of developing and implementing practices that will result in positive impacts for the leather industry, mitigating climate change, protecting biodiversity, and respecting social and animal welfare. PrimeAsia joined LIA in 2019 and participates directly in the discussions for the development of these practices.

CERTIFICATIONS & REPORTING PLATFORMS

Independent certifications and multi-stakeholder reporting platforms are a central part of PrimeAsia’s strategy to promote transparency and report our performance against a whole set of topics and standards.

Unit	Certification / Reporting Platform	Description
PAC	LWG - Gold Medal Overall Audit Result: 94.32 Physical Traceability Score: 99.53%	Environmental certification for tanneries
	ZDHC Wastewater Gateway	Reporting platform - third part testing for wastewater and MRSL compliance
	HIGG FEM	Reporting platform for environmental performance
	HIGG FSLM	Reporting platform for social performance
	SATRA Accredited Lab	Lab certification against SATRA Standards
	SATRA Leather Grading Accreditation	Company and team certification against SATRA Grading Standards
	ISO 14001	Environmental management system certification
	ISO 50001:2018	Energy management system certification
	ISO 9001	Quality management system certification
	ISO 45001	Occupational health and safety certification
	IQNet SR10:2015	Social responsibility management system
	Institute for Public and Environmental Affairs (IPE)	Wastewater quality online reporting platform
PAV	LWG - Silver Medal Overall Audit Result: 94.90 Physical Traceability Score: 97.50%	Environmental certification for tanneries
	ZDHC Wastewater Gateway	Reporting platform - third part testing for wastewater and MRSL compliance
	HIGG FEM	Reporting platform for environmental performance
	HIGG FSLM	Reporting platform for social performance
	SATRA Accredited Lab	Lab certification against SATRA Standards
	SATRA Leather Grading Accreditation	Company and team certification against SATRA Grading Standards
	ISO 14001	Environmental management system certification
	OHSAS 18001	Occupational health and safety certification
	Institute for Public and Environmental Affairs (IPE)	Wastewater quality online reporting platform



**ENGAGING THE
SUPPLY CHAIN**

WORKING WITH SUPPLIERS

A company is just as sustainable as its supply-chain. Relevant improvements are achieved only if the entire supply-chain works towards common goals, under shared values.

We recognize that our purchasing policies have a profound effect on the environment, communities, our products and customers. Proximity and long-term partnerships with suppliers is an important way for developing a responsible supply-chain, managed in a socially and environmentally conscious manner.

Clear guidelines and criteria supports the selection and development of suppliers, ensuring they have procedures in place that are in line with our expectations.

In 2019, 99.27% of all wet-blue sourced by PrimeAsia came from LWG certified sources; 93.59% from Gold, 0.52% from Silver and 5.16% from Bronze rated tanneries.

On the chemical side, all suppliers have confirmed their compliance against the ZDHC MRSL 1.0, at minimum under Compliance Level 0 (self-certification). We continue to work with this group to understand the challenges and opportunities for further improvements in their compliance levels.





RESPONSIBLY RAISED

Launched at the end of 2019, PrimeAsia's Responsibly Raised Initiative promotes best practices in our supply-chain by identifying and giving visibility to projects that go one step further in delivering positive changes and enhanced transparency.

The initiative promotes projects that can:

- Ensure better use of natural resources
- Hold and demonstrate strict animal welfare standards
- Contribute to lower emissions
- Provide traceability to the farm of birth
- Increase transparency through third-party verification

For the Fall/Winter 2021 collection, we selected Open Prairie® Natural Meats as the source for our first Responsibly Raised Initiative.

The cattle for this project are responsibly raised with strict third-party verification, including animal well-being standards, required by all partners, including ranchers, feed yards and employees. The cattle are fed a 100% vegetarian diet and raised with no added hormones and no growth promotants. Leathers made from these cattle are fully traceable to their place of birth through the Trusted Path™ Program, which is also third-party verified through the production cycle. Land stewardship practices that promote the conservation of natural resources also play an important part in the lives of the ranching families that grow the cattle.





3 Holland Way, Suite 105
Exeter, NH 03833 USA
Tel: +1-603-766-5400
www.primeasialeather.com