



**ARLEI**

## **MUCH MORE THAN LEATHER**

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Sustainability Report 2022

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# MESSAGE FROM THE EXECUTIVE MANAGEMENT

GRI 2-22

Thank you for your interest in Arlei Sustainability Report 2022.

Having passed the year 2022, we have left behind the complicated moment that tanneries are going through at a global level, especially those that supply the automotive industry. The publicly known war, which affected a part of Europe socially and economically, also had a strong impact on a part of our market, with long delays in auto parts for the production of automobiles, which directly affected the demand for our products.

In spite of this, we adapted quickly to the situation. We faced the challenge of going through a slump in demand, and we came out stronger. We also managed to ensure that our governance, social and environmental performance maintained the guidelines reported in 2021, and that several of the objectives we had set ourselves were met.

This year we obtained the authorization from National Service for Agrifood Health and Quality of Argentina (SENASA for its acronym in Spanish), which allows us to export by-products to the European Union, complying with all the required standards; thus, we were able to sell 29,905 tons of by-products.

One of the major milestones of the year was to carry out the external social audit of compliance with social responsibility, according to the SMETA protocol (Sedex Members Ethical Trade Audit), of 4 pillars, with positive results in all production plants (Las Toscas, Don Arturo and Salta).

We also continue framing sustainability initiatives within Arlei's Life Program, where we promote social responsibility practices, animal welfare, traceability, protection of native forests, responsible consumption of resources and 5R (waste). We remain at the Gold Level within the LWG (Leather Working Group) certification and are directing R&D efforts to advance in tanning processes that seek to be more sustainable, such as, for example, the development of alternatives with more sustainable formulations.

In 2022, we also updated our Ethics Policy, based on the ETI (Ethical Trading Initiative) Code, under which we implemented a system of internal audits in the plants. This allows us to maintain and improve social, health and safety and environmental practices. We have also developed an ethics and anti-corruption procedure, which includes reporting channels for cases inside and outside the Company, and we train 100% of our staff in this area. In addition to this, we provide other training programs in activities outside the workplace, such as welding, blacksmithing, construction, and bakery, and we are always expanding the family assistance and scholarship programs for our employees' children.



## MESSAGE FROM THE EXECUTIVE MANAGEMENT



In terms of extended responsibility towards our suppliers, this year we implemented a social responsibility survey to the companies that provide us with services and supplies, in order to find the points that require greater attention and achieve more awareness of this issue within the supply chain. We also complied with the proposed second-party audits and with the objective of collecting information and systematizing a traceability platform, which will be launched and made accessible in the coming periods.

At the environmental level, we completed the first stage of construction of the water recovery plant in Don Arturo, and we began the first steps to calculate the Carbon Footprint and Life Cycle Assessment of our products. We also maintained the effluent recovery and water recirculation projects, optimized the consumption of energy resources and, specifically, achieved that 72.2% of the consumption of the Las Toscas and Salta plants came from renewable sources.

We participated in a pilot plan together with an environmental NGO and the Ministry of Agriculture of Santa Fe, which seeks to ensure traceability from the origin, working together with farms, slaughterhouses and other tanneries, to offer meat and leather products free of deforestation, considering that managing this issue is not only positive for Arlei, but also for the benefit of the whole country.

In addition to this project, we maintained our commitments with alliances, working groups and organizations that make us a better Company, such as the Forest-Industry Roundtable, where we promote the sustainable use of biomass and other alternative fuels, and projects to support and stimulate the wellbeing of the community.

At the health and safety level, we doubled our participation in the System of ideas for Improvement and continued to support awareness of people's health and safety, with talks given by the emergency brigades and occupational physicians.

We feel that it was a year full of achievements and learning to continue working in the future.

Before ending, we would like to emphasize once again our gratitude for the commitment of the people who work at Arlei, reflected in the 12th place in the Great Place to Work ranking, which fills us with pride. We would also like to thank our customers, suppliers, social, educational and health institutions, government agencies and all our peers. It is as a result of our joint and collaborative effort that we are still standing.

Thank you very much.





# OUR SECOND REPORT

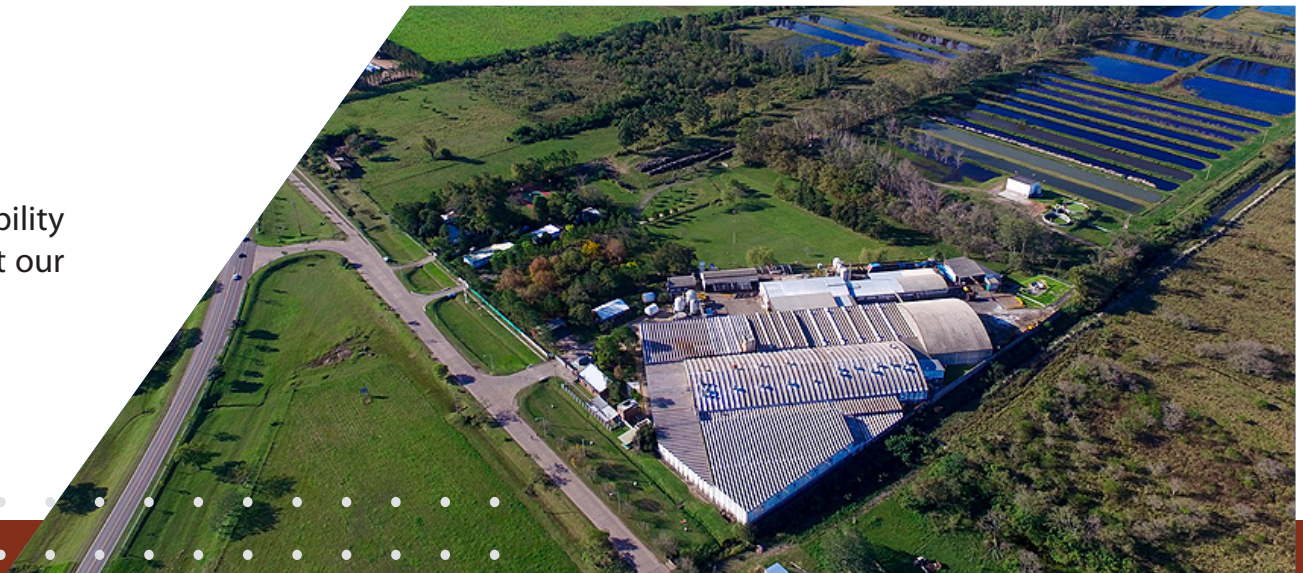
GRI 2-3

For the second consecutive year, we are proud to present the Sustainability Report of Curtiembre Arlei S.A. (hereinafter “Arlei”, “the Company”, “the organization”) in which we describe the environmental, social and economic performance for the period between January 1 and December 31, 2022.

The topics developed are relevant for the industry and specifically to Arlei, and through them we seek to reflect our commitment and approach towards a more sustainable tannery industry. In line with global reporting trends, we prepare this document annually using the GRI Standards as a reference.

Within the scope of the information, all facilities are described: Las Toscas plant, Don Arturo, Salta plant, Lanús warehouse, Carcarañá shed and the corporate offices located in the City of Buenos Aires, which as a whole consolidate the Arlei group.

To contact us, you can write to the Sustainability Committee email box: **gruporss@arlei.com** and visit our website **<http://www.arlei.com/>**.





# 01.

## **ARLEI LEATHER GROUP**

About us

Products and sectors served



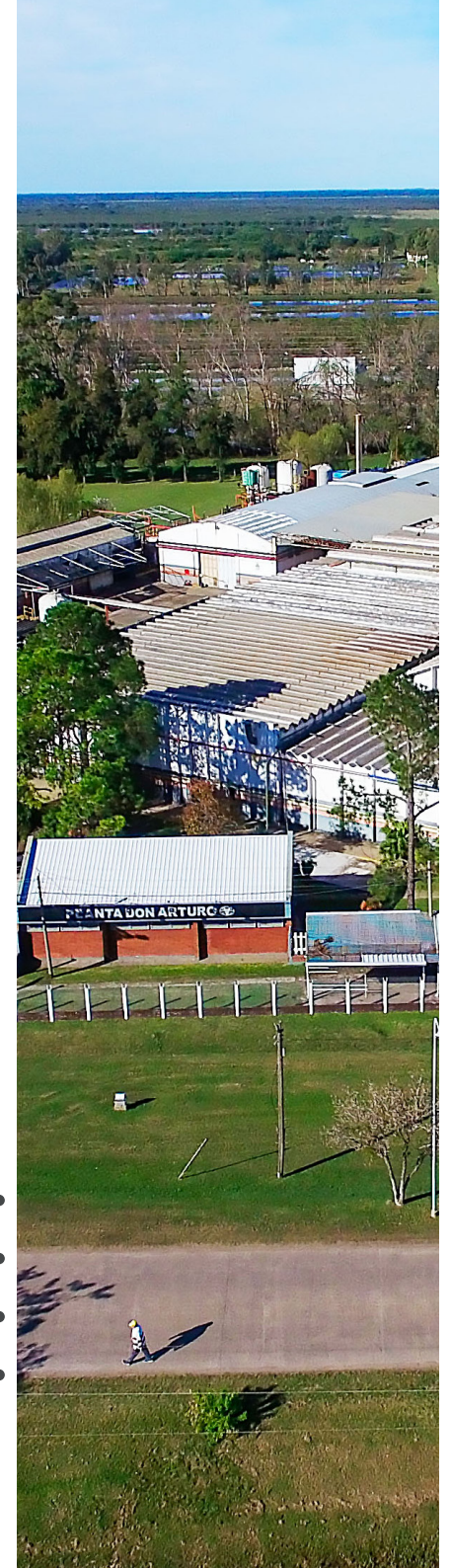
# ABOUT US

GRI 2-1, 2-2, 2-6, 2-7

We are a leading Company in bovine leather manufacturing, which, thanks to the outstanding quality products offered, positions the country as a trusted supplier worldwide. Made up of more than 1,300 employees, Arlei exports raw materials for other industries in 29 countries. As one of the main suppliers of leather for the automotive industry in the world, we have very strict standards of quality and compliance with environmental safety regulations. Likewise, we constantly seek to innovate in order to maximize the use of by-products from our value chain.

Responsibility, reliability and sustainability are built into our institutional DNA, which generates trust and loyalty from our customers and suppliers, and promotes stable and long-lasting business relationships.

“IT IS OUR IDENTITY THAT KEEPS US ON THE PATH OF CONTINUOUS GROWTH. WE ARE FLEXIBLE AND BELIEVE IN THE BENEFITS OF AGILE DECISION MAKING. WE ARE ENTREPRENEURS AND WE ARE PROUD TO MAINTAIN THIS SPIRIT GENERATION AFTER GENERATION”



- The main interest is the continuity of the Company, preferably in the hands of the family.
- We support measures that enhance growth and quality.
- Attract and retain the best human resources.
- Continuously update and plan business.
- Seek to generate the greatest value for shareholders and managers.
- Proposals that break up the family unity are not allowed.
- Nobody is forced to work in the Company if it is not their wish.
- "Understand" instead of "justify".
- Loyalty and solidarity with family members and members of the work team.
- Foster motivation for improvement and new ventures.
- Company issues are dealt with in the Company.
- Work as a team observing the formality of the implemented systems.
- Pursue survival, growth and profits.
- Complement each other and engage in dialogue.



Be a Family Company engaged in the leather business that stands out for being trustworthy both for its internal and external customers as well as for its suppliers and for the communities with which it interacts, balancing the search for profitability with a sense of responsibility

Remain alert to the opportunities offered by the market, preferably within the value chain of existing businesses, moving in the global framework, maximizing the use of available resources and profitability



# MARKETS SERVED

The extensive production capacity of Arlei facilities allows us to face sudden increases in production based on demand, satisfying the needs of our customers, and always maintaining the commitment to the sustainable development of our activities. As the majority of our customers are located abroad, the production of our items complies with international requirements on restricted substances, and none of them are prohibited in the markets served.

The process we carry out begins with the design and development of new products at the request of customers or by decision of the organization, according to market research and new trends. Our main customers are

companies that finish the leather. We also have a variety of by-products originating from the waste of our own production that we subject to a process in which we add value and transform them into marketable by-products for other industries. In this case, the customers are mainly food and cosmetics producers

## WE SELL OUR PRODUCTS ACROSS 5 CONTINENTS.



- ARGENTINA (sales office)
- BRASIL
- MÉXICO
- ESTADOS UNIDOS (Carolina del norte)
- ESPAÑA
- ITALIA
- REINO UNIDO
- INDIA
- CHINA
- TAIWÁN
- HONG KONG



Salta Plant, vegetable leather tannery (Salta)  
Las Toscas Plant, Chrome and chrome free leather tannery (Santa Fe)  
Don Arturo Plant, equalized and finishing leather plant (Santa Fe)

## PRODUCTS AND SECTORS SERVED

### Chrome, vegetable, or chrome-free tanned crust leather

FOR THE AUTOMOTIVE, FURNITURE, FOOTWEAR AND LEATHER GOODS INDUSTRIES

We produce and export a wide variety of crust leather articles from 1.0-1.2 mm to 1.5-1.7mm for the automotive industry. The leather is customized to comply with the demands of each automotive brand.

We hold a wide range of vegetable tanned products as sole, welts and heel covers for saddlery, leather goods and footwear. For the last two, we are also suppliers of Wet Blue Double Butt Split Leather, produced under strict international quality standards. We guarantee our customers a safe and high performance article, in a wide range of weights such as 2-4 kg, 4-6 kg, 6+ kg and selections.

We are currently working on two alternatives to replace the tanning agents in use, in order to make our products increasingly sustainable:

- Blend of vegetables, which stabilizes itself leading to a simpler and water-saving formula in subsequent processes.
- Zeolite, a naturally occurring product based on aluminum silicate, which requires a working chemical formulation more similar to chromium.

So far, we have achieved positive results in both developments, although we will continue the research stage until we are sure that the new solutions meet the high quality standards that characterize us, and that we can respond to the demands of the international market, both environmentally, socially and economically.

### Finished leather

FOR THE FOOTWEAR AND FURNITURE INDUSTRIES

We have a unique selection of finished leather products exclusively for the footwear and furniture upholstery industry. This allows Arlei to provide the market with the latest fashion trends. With a leather finishing plant capable to produce more than one million sq. ft. per month and with the support of the research and development department, the leathers can be customized according to our customer's needs and requirements. We guarantee the highest quality standards, and for this we subject the leather to several tests and processes that not only meet the strict demands of our customers but also of the global industry.

### Main by-products (shavings, split leather, tallow and scraps)

MAINLY FOR THE FOOD AND COSMETIC INDUSTRIES

- The leather shavings come from the shaving process where the thickness of the leather is unified. It is intended for the manufacture of reconstituted leather.
- During the tanning process, leather is divided into two types: "grain leather" (hair side) and "split leather" (inner side). Said split leather is a leather that is sold for several uses such as shoes, aprons and gloves, among others.
- Tallow is a by-product that is generated from chippings, fat trimmings, and udders. From a process that we carry out in two of our plants, we transform this raw material into tallow, which is mainly used for the cosmetic industry.
- The limed leather scraps are sold to companies in the food industry.

**IN 2022, WE OBTAINED THE AUTHORIZATION FROM THE NATIONAL SERVICE FOR AGRIFOOD HEALTH AND QUALITY OF ARGENTINA (SENASA), WHICH ALLOWS US TO EXPORT THIS BY-PRODUCT TO THE EUROPEAN UNION, COMPLYING WITH ALL THE REQUIRED STANDARDS.**



## OUR PLANTS



### HEADQUARTERS: MAIPÚ OFFICES, CITY OF BUENOS AIRES, BUENOS AIRES

- Commercial, administration, export, supply and plant support offices.
- 55 workers approximately.



### LANÚS WAREHOUSE, EAST LANÚS, BUENOS AIRES

- Receipt of inputs and materials for production.
- Receipt of product for consolidation and dispatch to final destination.
- 20 workers approximately.



CUSTOMERS



### CARCARAÑÁ SHED, SANTA FE

- Production: receipt, washing, classification and trimming of fresh skins.
- Production capacity: 150,000 hides.
- 40 workers.



### LAS TOSCAS PLANT, LAS TOSCAS, SANTA FE

- Production: chrome and chrome free-tanned leather.
- Production capacity: 200,000 hides per month. +1,000 workers.
- Effluent treatment plant of 30,000 m<sup>2</sup>.
- Target: automotive, upholstery, footwear industries.



### DON ARTURO FINISHING PLANT, LAS TOSCAS, SANTA FE

- Production: leather finishing.
- Production capacity: 80,000 finished hides/month. 55 workers approximately.
- Target: footwear and furniture upholstery industries.



### SALTA PLANT, ROSARIO DE LERMA, SALTA

- Production: vegetable leather.
- Production capacity: 45,000 processed hides/month. 185 workers approximately.
- Target: leather goods, footwear, saddlery.
- Effluent treatment plant: 700 m<sup>3</sup>.



# 02.

## **GOVERNANCE, ETHICS AND INTEGRITY**

Structure of the organization

Control and communication mechanisms

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• •

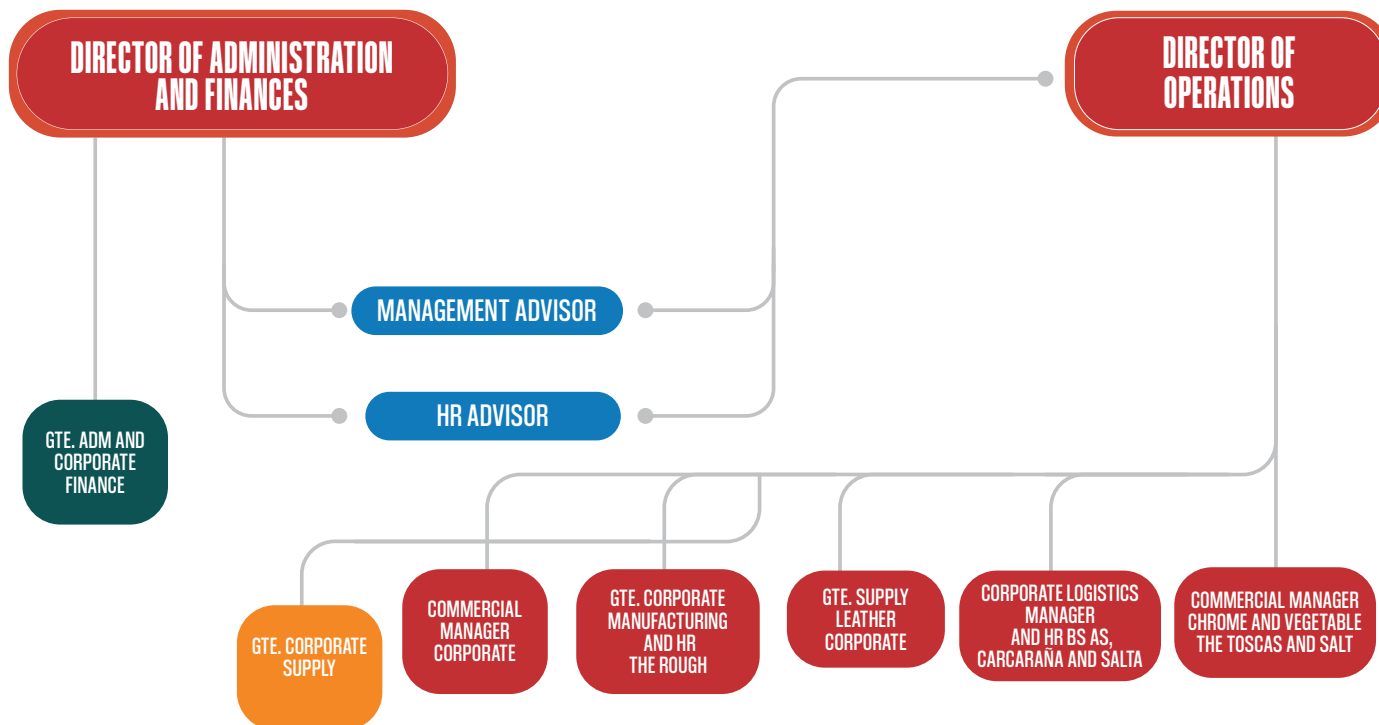
# STRUCTURE OF THE ORGANIZATION

GRI 2-9, 2-10, 2-11, 2-12, 2-13, 2-14

## COMPOSITION OF THE BOARD OF DIRECTORS

Every 3 years, the shareholder partners convene a General Assembly to appoint the Board of Directors, as required by Law 19550, which will be responsible for carrying out the business strategy.

The areas are clearly defined according to the responsibilities of each one, divided between financial and non-financial matters. In the case of financial matters, we work comprehensively on credit management, collections and payments, banking procedures, and everything that indirectly measures the result of the operational management, through balance sheets. For non-financial matters, the teams work on matters involving customer management, production, quality, training, human resources, sustainability, supply logistics and delivery logistics of finished products.



## SUPERVISION OF IMPACT TOPICS

The Management team periodically reviews the results and achievements related to the management systems, which are provided by the different areas. Once this information has been analyzed, an action plan is designed and proposed with instances to improve or maintain the results obtained, designate new resources, adjust strategies, among others.

Regarding accountability on sustainability documents and management of environmental and social impacts, Management delegates the procedures to the Sustainability Committee, which then submits the reports and progress for review and approval. In this way, economic, social and environmental impacts, whether positive or negative, and potential or actual, are managed proactively and transversally.



## COMMITTEES AND RESPONSIBILITIES



### SUSTAINABILITY COMMITTEE

Since 2019, we have a Sustainability Committee that coordinates the actions of the entire organization on sustainability issues.

Given that the plants are located in different geographical areas and are characterized by a diversity of cultures and production technologies, this committee was formed with representatives from each of our workplaces. The leadership is in charge of the person responsible for the Sustainability Department, and the purpose is to integrate the different processes of the plants in a common line of work. Likewise, the committee is supported by a Sustainability Management System that is reflected in the "Life Program", the sustainable brand under which Arlei enhances its commitment to economic, social and environmental values.



### JOINT COMMITTEE (LAS TOSCAS)

The province of Santa Fe provides as a legal requirement that companies have a Joint Committee, which is made up of representatives of the union and staff from Health and Safety, Human Resources, Legal Affairs, and Medical Service areas, among others. This committee deals with issues related to the health and safety of Arlei employees, through several procedures such as:

- Support policies and guidelines
- Analyze relevant occupational accidents, and their statistics to suggest solutions
- Support and monitor compliance with the Safety Plans
- Promote and collaborate in the development of safe behaviors and practices
- Collaborate in staff training programs
- Help enforce the rules
- Instruct each of its members to carry out inspections within their roles to maintain safety
- Inform Management of the conclusions of the analyzes carried out



### TECHNICAL COMMITTEE (LAS TOSCAS)

Following the declaration of the World Health Organization (WHO) on the Coronavirus pandemic, and in compliance with the legal and technical regulations that were published over the years, we created a technical team made up of people from the Human Resources, Legal, Safety and Health, and Medical Service areas. The committee began by addressing the COVID-19 issue, and over time it has remained in force up to the present day, working to receive, consult and analyze any scenario involving new health regulations, as well as to provide support for cases involving workers' safety and health.

The work team is formed according to the criteria established in our Health and Safety Manual, and its current role is preventive and equally important, since it attends to the responsibilities assigned in OSH (Occupational Health and Safety) management, defining and endorsing internal standards, analyzing specific situations or repetitive events, statistics and all kinds of situations associated with this dimension, in which a multidisciplinary approach is required.

The actions designed in this Las Toscas Committee are replicated in the rest of Arlei's productive sites. The details of each of these actions can be found in the Safety and Health chapter.

## CONTROL AND COMMUNICATION MECHANISMS

GRI 2-15, 2-16, 2-23, 2-24, 2-26, 2-27, 3-3, 205-2

To strengthen the organizational culture of Arlei in every area of work, we have policies applicable to 100% of the staff. These help us maintain the standards that we consider essential not only for the quality of our products but also for the wellbeing and health of labor relations. We also have codes that establish guidelines on how to act, and communication channels in which we publish our news:

### POLICIES

- Integrated Human Resources Policy
- Wellbeing and Open Doors Policy
- Corporate Ethics Policy
- Integrated Management Policy
- Animal Welfare and traceability Policy
- Sustainability Policy
- Restricted Substances Policy
- Chemical Management Policy

### CODES AND OTHER CONTROL AND COMMUNICATION MECHANISMS

- Code of Coexistence
- Code of Conduct for Corporate Sustainability
- Sustainable Management Manual
- Audit and Traceability Program
- Health and Safety Manual
- Human Resources Management Manual
- Customer service and technical assistance
- Customer satisfaction measurement
- Letter of commitment with suppliers - Contractor regulations
- Ethics and Anticorruption (whistleblower channel procedure)

We have communication channels for our stakeholders, to whom we provide our social networks to contact us, either for complaints, concerns or suggestions. We also have the entrance of our facilities open so that people living in neighboring areas have the opportunity to contact us directly. In 2022, there were no breaches with respect to the current legislation.

## ETHICS AND ANTI-CORRUPTION

We have an Ethics and Anti-Corruption Procedure, which establishes the reporting channels in force, the bodies for receiving, investigating and making decisions, and the standards of confidentiality of information. Our channels are open and available to both internal and external Arlei staff.

In 2022, we carried out a series of training and communications on the Procedure and new communication options, in which we delivered a reminder card with said channels so that they keep them in mind, in an accessible and permanent way. These include a telephone line, WhatsApp, email for complaints and a web page form, through which complaints can be made anonymously.

Within our procedure, we also ensure the effectiveness of the process to avoid conflicts of interest, so that the representatives of the reported area cannot participate or be part of the analysis and decision making bodies of the case in question.





# COMMUNICATION OF INTERNAL POLICIES AND PROCEDURES



Each area prepares its operating policies and procedures, which are reviewed and published. All of these are integrated into the document management computer system and are accessible to all levels of the plants.

Periodic reviews and publications are made, and when relevant, staff training is carried out.

We communicate our policies and procedures to our stakeholders through different channels:

## SUPPLIERS OF CHEMICALS, MATERIALS, RAW MATERIALS AND CONTRACTORS

Policies are systematically sent and adherence and compliance with the guidelines set forth by our organization is required.

## CUSTOMERS

Policies are systematically sent by email. Likewise, for these and other stakeholders, all documentation is available for free download on the Arlei website.

## NEARBY COMMUNITY AND PLANT VISITS

We have Integrated Management and Sustainability policies available on posters located at the entrances of each plant and available on paper at the front gates.

# CODE OF COEXISTENCE

At Arlei, we believe that achieving a good final product requires many components, including the wellbeing and good coexistence of those of us who work every day in the Company. This is why we have a Code of Coexistence that establishes guidelines and management mechanisms for cases of non-compliance with any of the rules.

Some of the aspects referred to in the document are as follows:

Personal conditions to report to work each day

Maintain behaviors where the health and safety of the person and their colleagues are prioritized

Encourage teams to always act in good faith, avoiding negligent attitudes, and being honest when work mistakes are made

Conditions for moments of rest and relaxation

Invitation to respect political and religious opinions, common spaces and differences in terms of work management

In order to achieve the objectives and have committed people, Arlei employees are also required to refrain from working for other competing establishments, as well as to maintain the confidentiality of the production processes and the Company's own internal information.

This code, together with all the principles and values of the organization, is transmitted through the induction of all employees joining our plant, and is reinforced with periodic training of different types.





# 03.

## **SUSTAINABILITY STRATEGY**

Management with a sustainable approach  
Interest audits and certifications  
Sustainable initiatives  
Code of sustainable conduct



From the Sustainability Committee, we manage the roadmap framed in our Sustainability Policy, which is aligned with our Code of Conduct for Corporate Sustainability. In this working group, we also centralize the different actions regarding social investment and the identification of stakeholders, among others.

## MANAGEMENT WITH A SUSTAINABLE APPROACH

### LIFE PROGRAM

The practices of social responsibility, animal welfare, traceability, resource consumption and 5R are framed in the “Life Program”, an Arlei’s Sustainability Management system that supports and provides all the dynamic elements that allow monitoring the evolution of the achievements regarding each of the goals and objectives proposed for the progress of the Life Program.

GRI 3-1, 3-2



WITHIN THE LIFE PROGRAM, WE PROPOSED TO CARRY OUT AN EXTERNAL AUDIT TO COMPLY WITH SOCIAL RESPONSIBILITY, UNDER THE SMETA PROTOCOL, WHICH WAS CARRIED OUT IN DECEMBER, WITH POSITIVE RESULTS IN ALL PRODUCTION PLANTS (LAS TOSCAS, DON ARTURO AND SALTA).

Based on the ETI (Ethical Trading Initiative) Base Code, we also began to implement a system of internal audits within the plants, which allows us to maintain and improve social, health and safety and environmental practices.

## MATERIAL TOPICS OF THIS REPORT

The topics published in this report were defined within the framework of the 2021 GRI Competitive Business Program. As an alternative to the Materiality Assessment that is usually carried out, this program proposes a list of topics that are predefined based on their relevance, both for companies that produce raw materials and for those that offer goods and services. Likewise, it takes into consideration the topics that are particularly relevant within each industry, in our case: the tannery industry.

After the experience of our first publication in 2022, we reviewed the topics reported and expanded those that were most relevant to Arlei, among which are the following:

**BUSINESS MANAGEMENT:** Development of a responsible, ethical value chain and transparent governance.

**ENVIRONMENTAL MANAGEMENT:** Energy consumption within the organization, management and interactions with water as a shared resource, water-discharge related impacts, waste generation and significant waste-related impacts, emissions management and carbon footprint, animal welfare and traceability.

**SOCIAL MANAGEMENT:** Occupational health and safety, diversity and equal opportunity, local community relations.

## INTERNAL AUDITS AND CERTIFICATIONS

In 2001, we certified for the first time our environmental management to the ISO 14001 standard, and thus began to establish the basis for a sustainable management of our production processes. Currently, we have implemented and/or certified other environmental standards such as ISO 50001 for energy management, and ISO 9001, 22716 and IATF 16949 for quality.

Since 2011, we have been members of the Leather Working Group (LWG), with whom we have undergone assessments since 2019, and in which we have successfully been granted the GOLD level, placing us among one of the tanneries with the highest environmental performance worldwide.

**DURING 2022, WE WORKED ON AN ACTION PLAN TO ACHIEVE THE GOAL OF OBTAINING ISO 9001 CERTIFICATION IN 2023 AT THE SALTA PLANT. THIS YEAR, WE STARTED THE SMETA FOUR-PILLAR AUDIT PROCESS, WHICH MEASURES OUR LEVEL WITH RESPECT TO ESTABLISHED INTERNATIONAL STANDARDS.**

## SUPPLIER AUDITS

We work with our raw hide suppliers to guarantee the care of the animals from birth to the animal's desensitization prior to slaughter.

Through second-party audits, we verify the implementation of the Manual of Good Practices of the National Service for Agrifood Health and Quality of Argentina (SENASA), focusing on the sustainability of processes and animal welfare. Within this framework, we motivate our suppliers to achieve certifications from recognized bodies on animal welfare, and in turn, we provide training, support, and tools to achieve improvements.

We also work with chemical input suppliers to verify and develop their management systems and achieve continuous improvement organically. Second-party audits verify compliance with restricted substances and chemical management, according to our requirements.



# SUSTAINABLE DEVELOPMENT GOALS

Regarding our contribution to the United Nations 2030 Agenda and its Sustainable Development Goals (SDGs), we took up the challenge of beginning to identify to what extent what we do in social and environmental matters is aligned with the SDGs.

Some of our contributions to the 2030 Agenda:



- Weekly donations to soup kitchens.
- Monthly contribution to San Miguel Arcangel Foundation (Las Toscas).
- Donation of 80% of the food from the Carcarañá organic garden.



- Campaigns for employees on flu vaccination, nutrition and first aid.
- Donations in hospitals and emergency rooms near the plants.



- "Feel Useful" ("Sentite Útil") campaign in which we donated school supplies.
- Annual donations according to needs to schools near the plants.



- Procedures to avoid discrimination bias during recruitment processes within the organization.



- Purchase and use of renewable energy in production plants.
- ISO 50001 certification (energy efficiency) in Las Toscas.



- R&D in tanning processes that seek to be more sustainable, such as alternatives with more sustainable formulations.
- Annual investment plan for infrastructure and fixed assets that imply improvements.



- Continuous internal improvement, taking care of production processes, researching new formulas, etc.
- Recycling and reuse campaigns: donation of scraps to local people to design handicrafts, leather trimmings for sausage casings and gelatin, and wet blue split to make leather goods, handbags and footwear.
- Awareness and animal welfare campaigns with suppliers.



- Carbon footprint measurement since 2021.
- Project to perform Life Cycle Assessment of some of our products.
- Greenhouse for own crops. Tree plantations in different projects at the plant and in alliances.



- Actions on freedom from illegal or indiscriminate deforestation of native forests.
- Separation and composting of 100% of discarded hair into soil fertilizer.



- Remediation of old effluent treatment pools for Pacu fish farming through an agreement with the National Institute of Agricultural Technology (INTA for its acronym in Spanish).
- Partnerships with different organizations, foundations, municipalities (firefighters, hospitals, schools, consulting firms, etc.).



# INTEREST GROUPS, COMMITMENTS AND COMMUNICATIONS

GRI 2-28, 2-29

Since our facilities are located in different areas of the country and our products are for export, relations with Arlei's stakeholders are varied and are managed from different areas of the Company.

We carry out continuous analysis of our stakeholders to measure whether their needs and expectations are being met and updated, in order to maintain lasting relationships over time.

Currently, our communication channels are through emails, WhatsApp, social networks, telephone, and, in cases where face-to-face communication is possible, we also rely on it.

➤ **EMPLOYEES AND FAMILIES**  
Foster a culture of social responsibility and sustainability  
Trainings and communication  
Implementation of policies, initiatives and good practices.

➤ **SHAREHOLDERS**  
The Leiser family is the main shareholder of the Company.  
Promote and demonstrate responsible and sustainable performance

➤ **NEARBY COMMUNITY**  
Strengthen the link with the surrounding community  
promote sustainable local and regional development

➤ **CRITICAL AND NON-CRITICAL SUPPLIERS**  
Ensure alignment and compliance with Arlei's CSR  
Be recognized as a committed actor in the management of sustainability throughout the supply chain.

➤ **CUSTOMERS**  
Be recognized for sustainable management  
Good performance and proactive communication.

➤ **NATIONAL, PROVINCIAL AND LOCAL GOVERNMENTS**  
Support and foster a culture of social responsibility and sustainability.  
Support of specific projects and initiatives of mutual interest.

➤ **FUTURE GENERATIONS (ENVIRONMENT)**  
Responsible and sustainable management aimed at minimizing the environmental impacts of Arlei  
Reliable communication of achievements.

➤ **MEDIA**  
Strengthen the positive image of the Company  
Truthful and reliable information with cultural value.

➤ **UNIONS**  
Deepen ties and strengthen collaboration and commitment  
Foster a culture of social responsibility and sustainability

➤ **BUSINESS CHAMBERS**  
Be recognized and distinguished by leadership in responsible and sustainable management

# AFFILIATIONS AND MEMBERSHIPS

## INDUSTRIAL FORESTRY BOARD

We are a founding member of the Industrial Forestry Board, together with the most important companies in the area. The main objective is the sustainable use of biomass as fuel as well as the permanent search for alternative fuels to replace it. We carry out permanent training and awareness on this subject.

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## MINISTRY OF AGRICULTURE OF SANTA FÉ AND ENVIRONMENTAL NGO

We participated in a pilot plan that seeks to ensure traceability from the origin, working together with farms, slaughterhouses and other tanneries to offer meat and leather products free of deforestation.

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## CHAMBER OF THE ARGENTINE TANNER INDUSTRY

This Chamber aims to encourage the development of the value chain, from the producer to the manufacturing industry, so that each link can be fairly compensated for its contribution in a circuit that aims to develop not only one sector, but all those involved in it.

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## LWG - LEATHER WORKING GROUP

International organization responsible for environmental certifications for the leather manufacturing industry.

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## SLF - SUSTAINABLE LEATHER FOUNDATION

Foundation created to benefit the entire supply chain in the leather industry. Sustainable Leather Foundation aims to provide a program of certification, education, best practice acquisition, cohesive collaboration and global action.



# SUSTAINABLE INITIATIVES

# RESPONSIBLE PRODUCTION

We have strategic objectives and sustainability initiatives that we began to implement in 2022 and we will continue working towards the future:

Initiatives		2022 Achievements		2023 – 2024 Objectives
SMETA or SA8000 Social Responsibility Certification.	➤	✓ We conducted the SMETA audit in December 2022. Achieved in 2022	➤	Continue with the same objective, to re-audit and work on continuous improvement on the observations identified.
Work on transparency and accountability in Sustainability, as well as maintain the practice over time.	➤	✓ We published our first Sustainability Report in 2022. Achieved in 2022	➤	Expand the content of our reports and evolve in data quality. We also plan to conduct our first materiality analysis.
Ensure alignment and compliance with Arlei's social responsibility and sustainability standards by suppliers.	➤	✓ We implemented a social responsibility survey for service and input suppliers. Achieved in 2022	➤	Once a year, review the survey, adapt it and send it to suppliers, to update the information and the degree of compliance.
Strengthen communications and delivery of information (with policies, manuals and letters of commitment).	➤	✓ We reached 100% of the suppliers, who adhere to Arlei's policies and manuals. Achieved in 2022	➤	Keep suppliers informed at least once a year or when there are relevant modifications in any of the documents.  Include the procedures when registering new suppliers.
To be recognized and differentiated by a responsible and sustainable management that allows to strengthen lasting business relationships over time.  • Increase sales through evidence of performance and proactive communication. • Send the first Sustainability Report to 100% of the customers and other stakeholders.	➤	✓ • We held regular meetings with some customers. • We conducted audits and sent information requests and requirements (traceability, social audit, etc.). • We published our report and sent it through communication channels. Achieved in 2022	➤	• Maintain each of the initiatives of this nature.  • Continue with the dissemination of our management through the Newsletter, web, posters in the plant, Sustainability Reports, among others, to continue spreading the importance of a responsible management of the industry.
Work intensively on the Traceability Program with our raw material suppliers to ensure traceability, animal welfare and protection of native forests. The objective is to assure our customers that the materials do not come from deforested areas or from suppliers linked to illegal practices.	➤	✓ • We completed the information gathering and systematization stage for the traceability platform. • The corresponding second-party audits were conducted. Achieved in 2022	➤	Launch the platform and provide access to the required traceability information.

# ENVIRONMENT

## Initiatives

## 2022 Achievements

## 2023 – 2024 Objectives

Install a water recovery plant in Don Arturo, with the intention of reusing it in the gas treatment systems of the painting machines.



✓ The first stage of construction of the water recovery plant in Don Arturo was completed. Achieved in 2022



Complete the installation of equipment, piping and electrical installation and start up the plant.

Recertify LWG Gold level at the Salta, Don Arturo and Las Toscas plants in 2022.



✓ • We started the first steps to calculate the Carbon Footprint and Life Cycle Assessment of our products.  
• We achieved that 72.2% of the energy consumption of Las Toscas plant and Salta plant comes from renewable sources. Achieved in 2022



- Re-audit according to the updated protocol, and maintain Gold level.
- Continue with the assessment, in alliance with the SPIN 360 consulting firm, to continue advancing in the reduction of Scope 1, 2 and 3 emissions.
- To have increasingly sustainable products.
- Increase the percentage of renewable energy consumption.

Consolidate Arlei as a carbon neutral Company in Scope 2 in the medium term. In the long term, continue with the challenge of extending neutrality to scopes 1 and 3.



✓ • Recovery projects (effluent plant) and/or water recirculation (in liming) in test stage, with positive results.  
• Modification of formulations in the liming of hides for hair recovery. To be more efficient in the retanning stage and in the shoe upper formulas. The new formulas tend to reduce water consumption since they are designed with fewer washes. Achieved in 2022



- Improve the performance indicators of the liming process.
- Minimize consumption in closed washes, by changing the machining conditions to carving/splitting.

Continue the constant search to reduce the consumption of natural resources such as water and energy.



# SOCIAL

## Initiatives

## 2022 Achievements

## 2023 – 2024 Objectives

Update and implement sustainability and ethics policies, and develop by 2022 the ethics, transparency and anti-corruption procedure.



- ✓ We updated the ethics policy in accordance with the ETI Base Code.
  - ✓ We developed an ethics and anti-corruption procedure, which includes the channels for reporting cases inside and outside the Company. We trained 100% of our staff in this area.
- Achieved in 2022



Continue with the dissemination of the channels to report complaints, and make revisions of the methodology taking into account the operation of what has been defined.

Form alliances with educational institutions (kindergartens and schools), health agencies, NGOs and organizations (homes, soup kitchens, firefighters, clubs), among others.



- ✓ Alliances were maintained and new ones were established, in which we generated all kinds of initiatives and support programs.
- Achieved in 2022



Continue with the alliances already built and establish new ones.

Promote a culture of social responsibility and sustainability with employees through awareness, training 100% of the employees.



- ✓ We carried out training, awareness raising and campaigns on topics related to Social Responsibility and Sustainability.
- Achieved in 2022



Continue with these initiatives for employees and the general public.

Implement at the Salta plant the mechanism for acknowledgments and awards for the absence of accidents that is carried out at Las Toscas.



- ✓ The methodology to be applied at the Salta plant was established.
- Achieved in 2022



Achieve full implementation and start-up of the methodology.

Maintain good relations with the employees and submit to organizational culture and work environment surveys such as Great Place to Work, to validate such management.



- ✓ Previously in the Top 10 of the Ranking of the Best Places to Work, Millennial category. In 2022 the survey was not conducted, it was postponed to the following year.
- Achieved in 2022



Reposition ourselves in the ranking as one of the best places to work in Argentina.

# CODE OF CONDUCT FOR CORPORATE SUSTAINABILITY

Our Code of Conduct for Corporate Sustainability seeks to maintain the Company's economic, social and environmental balance. This Code establishes:



## ENVIRONMENTAL GUIDELINES

Respect the instructions and signs corresponding to waste disposal and separation. Ensure that waste and effluents from each process are disposed of properly. Avoid unnecessary consumption of energy, paper and water. Reuse materials whenever possible.



## ETHICAL GUIDELINES

Maintain equal treatment with other employees regardless of religion, gender, nationality, race, age and sexual orientation. Avoid taking dishonest advantage of stakeholders. Avoid conduct that could damage the reputation and image of the Company. Uphold honest and transparent conduct in all activities. Protect the organization's information regarding employees, customers, suppliers and other stakeholders.



## SOCIAL GUIDELINES

Invitation to participate in training, campaigns or actions within the framework of sustainability. Collaborate with the System of Ideas for Continuous Improvement that focuses on concepts related to sustainability. Encourage in family and social circles the actions proposed by the Company, to transcend the positive impact beyond the scope of work.





# 04.

## **BUSINESS MANAGEMENT**

Integrated Management and quality  
Procurement Practices

## INTEGRATED MANAGEMENT AND QUALITY

We are innovative and creative in the rational use of natural resources, investing in research and development to give value to the by-products generated from our activities. This work contributes to improving the finances of our Company and preserving good environmental conditions.

- 25% of the country's bovine leather is processed in our tanneries.
- Our production capacity is 10,000 skins per day.

In 2022, we sold 47,858,328 million sq. ft. of hides (ft<sup>2</sup>), representing 1,139,484 equivalent hides (estimated based on whole hides from Las Toscas plus half hides from Salta). In addition, we sold 29,905 tons of by-products, representing 18.5% of the annual turnover.

- The quality of our processes is certified by the ISO 9001, ISO 22716 and IATF 16949 standards.
- Our commitment to the environment and sustainable production activities are endorsed by the ISO 14001 and ISO 50001 standards, and by the LWG certification and SMETA audits.

Part of our integrated management is based on our products being designed to be competitive, environmentally friendly and energy efficient. We are constantly assessing business risks and opportunities in order to minimize adverse or negative impacts, and at the same time be prepared to respond in a flexible, timely and effective manner to changes that may arise.





# SYSTEM OF IDEAS FOR IMPROVEMENT

In order to generate greater participation of people in the evolution of the business, we have a participation system through which they can make comments and suggestions regarding Arlei's management. The objective is to improve certain aspect of the organization, for example: economic savings, product quality improvement, process or machine design, energy efficiency, resource consumption, environment, waste, health and safety, 5S tool, sustainability, work methodologies, among others.

**IN 2022, PARTICIPATION IN THE SYSTEM OF IDEAS FOR IMPROVEMENT DOUBLED.**

This System of Ideas for Improvement consists of receiving said ideas and/or documented suggestions for the subsequent analysis of the feasibility of implementation carried out by the areas managers. If in such analysis it is decided that it is feasible, the idea is implemented and subsequently analyzed based on the benefits achieved. According to the results obtained, the creator of the idea receives a corresponding financial award. In addition to this award, monthly and annual prizes are awarded among the participants.

In 2022, we were able to increase staff participation, doubling in the number of ideas submitted to the system. We achieved this goal thanks to several factors:

- Training for all staff.
- Inclusion of the topic in the inductions for new employees.
- Survey that allowed us to know the workers' opinion about the tool and its strengths and weaknesses.
- Arlei's management periodically consults with employees on the use of the system, encouraging the system to remain active.
- On a weekly basis, the heads of each area meet to analyze ideas and implement them.
- Topics requiring improvement are continually proposed for the staff to use them as a trigger for the generation of new ideas.



# RESTRICTED SUBSTANCES

In order to achieve business continuity and profitability, we comply with three factors: national legal requirements, the requirements of the countries in which we sell our products, and those that are specific to each of our customers.

In addition to internationally valid certifications, we have a Restricted Substances Policy that establishes the principles for their management and control, since they represent a type of substance that may present limitations or prohibitions, due to the associated negative impacts on people or the environment.

We are in constant communication with our suppliers, maintaining a mutually beneficial relationship, and in which we ensure compliance with the list of restricted substances in manufacturing, based on the guidelines established by the ZDHC (Zero Discharge of Hazardous Chemicals) system.

In addition, our manufactured products are continually tested to confirm the absence of restricted substances, based on:

- GADSL (Global Automotive Declarable Substance List)
- REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals)
- Specific requirements of our customers.

Within our chemical management, we prioritize those products with the lowest environmental impact, which are sustainable and represent a low risk to the health and safety of our workers, customers and the general public.





# PROCUREMENT PRACTICES

GRI3-3, 204-1

Our plants are located in the countryside, far from the product supply and shipping centers, so the optimal transportation of all raw materials, materials and finished products is key to the efficiency of the Company's procedures. Without the specific raw material required (skins) and without the necessary inputs for production, we would not be able to obtain the final product of the desired quality.

The procurement department is made up of three sub-areas: Raw Materials, Supply (supplies and services), and Logistics, according to the volumes of purchases and distances to the production places.

- Each area has its own staff and the necessary resources to fulfill its tasks, and is responsible for the level of efficiency of its management.
- Hiring methodologies are specific to each area, but are defined within the Arlei Management System.
- We have a Supplier Commitment Letter in which compliance with our values, policies and management systems is established.
- We have a claim method defined in the "Supplier Problem Report".

Both the Raw Material and Supply areas work together with the Quality department to select suppliers that take into account and meet the requirements established by the Company. In turn, they carry out the "Development of Suppliers" project, which is based on strategic decisions and aims to achieve a supply chain oriented towards the sustainability of both organizations.

**IN 2022, A SOCIAL RESPONSIBILITY SURVEY WAS SENT TO ALL SUPPLIERS OF INPUTS AND SERVICES, IN ORDER TO FIND THE WEAK POINTS TO WORK TOGETHER AND ACHIEVE GREATER AWARENESS OF THESE ISSUES WITHIN THE SUPPLY CHAIN.**



LOCAL IMPACT

Aware of our leading role with suppliers in the community, the Procurement of supplies and services area allocates 30% of the value of its domestic purchases to cooperatives, SMEs and micro-SMEs located in cities near our production plants. This contributes to their growth and stimulates their involvement in projects carried out by the Company.

Arlei’s value chain is focused on meeting customer requirements effectively and efficiently. Thus, we intend to obtain better prices, meet payment deadlines and delivery conditions, negotiate recoveries, and keep the plants supplied regarding their different needs, among others. A significant percentage of the value of purchases of supplies and services made by Arlei correspond to national suppliers, who must maintain high standards of quality and competitiveness to continue being considered a viable alternative.

Specifically, for raw material suppliers, we carry out assessments taking into account animal welfare and traceability of the process from the origin of the cattle to the entire value chain, in order to ensure that they do not come from deforested or unprotected areas.

	2022	2021	2020
Local <sup>1</sup>	62%	54%	63%
National	15%	24%	8%
Foreign	23%	22%	29%

<sup>1</sup> “Local” refers to purchases and contracts made in Santa Fe, Salta, Buenos Aires and Chaco.

SUPPLIERS (MATERIALS AND SUPPLIES)	RAW MATERIAL SUPPLIERS (SKINS)	LOGISTICS PROVIDERS
+700 active national and international suppliers  60% of the value of purchases made corresponds to national suppliers  30% of the value of national purchases are assigned to cooperatives, SMEs and micro-SMEs located in cities near our production plants	100% national raw material suppliers	100% national logistics providers: <ul style="list-style-type: none"><li>● 42% from Buenos Aires</li><li>● 33% from Santa Fe</li><li>● 7% from Mendoza</li><li>● The rest are from: Entre Ríos, Salta, Río Negro and Tucumán</li></ul>

In 2022, we managed to obtain more certified slaughterhouses and we formed an Animal Welfare and Traceability group made up of employees from the Raw Material Supply, Sustainability, Quality and Production areas, working as a team with the slaughterhouses. The objective is to have a greater number of certified suppliers and that they in turn work on certifying their suppliers, whether they are farms or feedlots, in order to maintain an aligned commitment along the entire supply chain.

This topic is developed in detail in the last section of the **Environmental Management chapter**.







# 05.

## **ENVIRONMENTAL MANAGEMENT**

Our Approach

Energy

Emissions

Water and effluents

Waste

Animal welfare and traceability

As stated in our Integrated Management Policy, at Arlei we strive to comply with the best practices in the manufacturing of products, in order to prevent environmental pollution and guarantee the quality of our products.

## EXTERNAL FRAMES OF REFERENCE

- ISO 9001, 14001, 26000, 50001 and IATF 16949 standards.
- Tools such as the PDCA cycle (management methodology of constant process improvement in 4 stages: plan, do, check and act).

### LAS TOSCAS PLANT

It is the most active facility, since 2011 it has been certified to ISO 14001: Environmental Management and since 2020, to ISO 50001: Energy Management System.

Gold Medal obtained in 2019 and 2022 in the Leather Working Group (LWG) audit.

### SALTA AND DON ARTURO PLANTS

ISO 14001 has been implemented. Recently started the process of implementing ISO 50001.

Gold Medal obtained in 2019 and 2022 in the Leather Working Group (LWG) audit.

### LANÚS WAREHOUSE

Both facilities are in the process of implementing the principles of ISO 14001, and it is planned that over the next few years we will be able to consolidate the processes to obtain these certifications.

## COMPLEMENTARY INTERNAL TOOLS

- Sustainability Policy
- Restricted Substances Policy
- Chemicals Management Policy
- Health and Safety Manual

Regarding animal welfare and the preservation of natural areas, we promote good practices within the supply chain. We apply the philosophy of the rational use of resources considering their recycling, recovery, and when possible, their reuse, to transform them into value-added products.

We also prioritize the acquisition of equipment, installations and machinery with greater energy efficiency that have an impact on the energy and environmental performance of our organization.

We have analysis matrices to assess risks and opportunities, and identify possible causes, potential effects and their significance. This practice is part of a defined methodology that is complemented with the definition of preventive actions and detection controls that mitigate possible impacts, or else, that can help discover opportunities for improvement in production plants.

In terms of remediation of negative environmental and social impacts, we act immediately when we identify them or when they are brought to our attention by someone outside the organization. In 2022, for example, we had a single case in which we received a complaint from the community that led to an internal investigation to determine the cause and take the most effective actions to successfully reverse it.

We address the management of our energy consumption from both the economic and environmental aspects. We work so that our products and processes are environmentally friendly, energy efficient and highly competitive. When purchasing equipment, machines and installations, we take into account their energy performance and when designing products, this aspect is also evaluated when making decisions.

We also carry out awareness campaigns on the responsible use of energy, establish good practices, and promote the presentation of ideas for improvement by our employees to achieve energy improvements.

As part of our management, in the Las Toscas plant we carried out an inventory of energy consumption.

Characteristics of the inventory:

- It records approximately 350 items (electric power, biomass and diesel).
- It accounts for a range of consumption from 10% of the total energy consumed to magnitudes representing less than 0.01%.
- It allows to clearly identify that the most significant or easily reduced consumptions that come from: the biological oxidation process in the Liquid Effluent Treatment Plant, the generation of compressed air and energy losses in the generation of steam in the boilers.
- It allows evaluating improvement opportunities and proposing new actions.
- Reviews are carried out within the framework of ISO 50001.



## PROGRESS IN CONSUMPTION REDUCTION

During 2022, we were working on the following consumption reduction guidelines:

- Gradual replacement of electric motors with more efficient equipment.
- Replacement of compressed air-driven agitators for similar ones driven by electric energy.
- Optimization of electric energy consumption and costs at the Lanús plant, where we started a program to replace traditional lighting fixtures with LEDs.

We measure the optimization of energy consumption based on total specific energy consumption (kwh/kg hides loaded to liming) and other indicators such as electricity consumption, e.g., e.c. compressor consumption, boiler energy losses, etc. Last year, we aimed to reduce total consumption by 1%, which we successfully achieved during 2022. For next year, we seek to follow the same trend through existing initiatives, in addition to focusing on measuring consumption to demonstrate the projected improvements.

Specifically in the Las Toscas plant, we achieved an improvement in electricity consumption, achieving a 5% reduction in the indicator (kwh/ft<sup>2</sup>). Regarding diesel and biomass, in 2022 we reduced energy intensity with respect to the previous year (energy consumption per unit produced).





## ENERGY CONSUMPTION WITHIN THE ORGANIZATION

### ENERGY CONSUMPTION BY WORKPLACE (IN MJ)

	2022	2021	2020
<b>LAS TOSCAS</b>	120,560,680	139,980,481	109,966,635
<b>SALTA</b>	21,825,369	24,801,568	18,298,886
<b>DON ARTURO</b>	8,923,823	5,951,787	4,742,702
<b>LANÚS WAREHOUSE</b>	1,463,744	1,401,011	1,219,044
<b>CARCARAÑÁ SHED</b>	1,636,138	1,662,420	1,512,929
<b>MAIPÚ OFFICES</b>	224,640	216,000	246,600
<b>TOTAL CONSUMPTION</b>	<b>154,634,396</b>	<b>174,013,266</b>	<b>135,986,796</b>

As shown in the table, in 2022 a reduction of 2.75 % was achieved in the specific consumption indicator (kWh/kg loaded to liming) at the Las Toscas plant.

In the case of the reduction at the Salta plant, this is due to three reasons:

- An extended period of dry weather (longer than usual), so less heat demand was required for drying the hides.
- An increase in the demand for thinner sole hides, requiring less energy to manufacture them.
- An increase in the amount of fresh hides processed, from 20% in 2021 to 47% in 2022. The liming soaking of fresh hides is 25% shorter than the liming soaking of salted hides, which translates into lower energy consumption.

At Don Arturo, there was an increase in consumption due to greater activity at the finishing plant and the opening of new warehouses.



**IN 2022, WE MANAGED TO REDUCE TOTAL  
ENERGY CONSUMPTION BY 12%.**

### ENERGY CONSUMPTION BY SOURCE (MJ)

	2022	2021	2020
<b>RENEWABLE</b>	<b>113,809,241</b>	<b>120,294,252</b>	<b>91,689,516</b>
Renewable electricity	58,319,280	55,857,600	39,711,600
Biomass	55,489,961	64,436,652	51,977,916
<b>NON-RENEWABLE</b>	<b>40,825,153</b>	<b>53,719,014</b>	<b>44,297,280</b>
Non-renewable electricity	21,292,560	32,173,200	28,024,200
Natural gas	12,706,101	14,873,972	11,083,910
Diesel oil	6,534,339	6,440,869	4,985,006
Bottled/liquefied gas	292,154	230,973	204,164
<b>TOTAL CONSUMPTION</b>	<b>154,634,394</b>	<b>174,013,266</b>	<b>135,986,796</b>

Our renewable electricity consumption is subject to production volume. In the case of the reduction in the value of biomass, it is represented by a lower annual production and the result of actions taken to improve boiler efficiency.

### ANNUAL ENERGY INTENSITY

	2022	2021	2020
<b>TOTAL ENERGY CONSUMPTION (MJ)</b>	<b>154,634,394</b>	<b>174,013,266</b>	<b>135,986,796</b>
<b>ANNUAL PRODUCTION (FT<sup>2</sup>)</b>	<b>88,072,907</b>	<b>104,591,086</b>	<b>69,090,036</b>
<b>ENERGY INTENSITY (MJ CONSUMED/ FT<sup>2</sup>)</b>	<b>1.75</b>	<b>1.66</b>	<b>1.97</b>

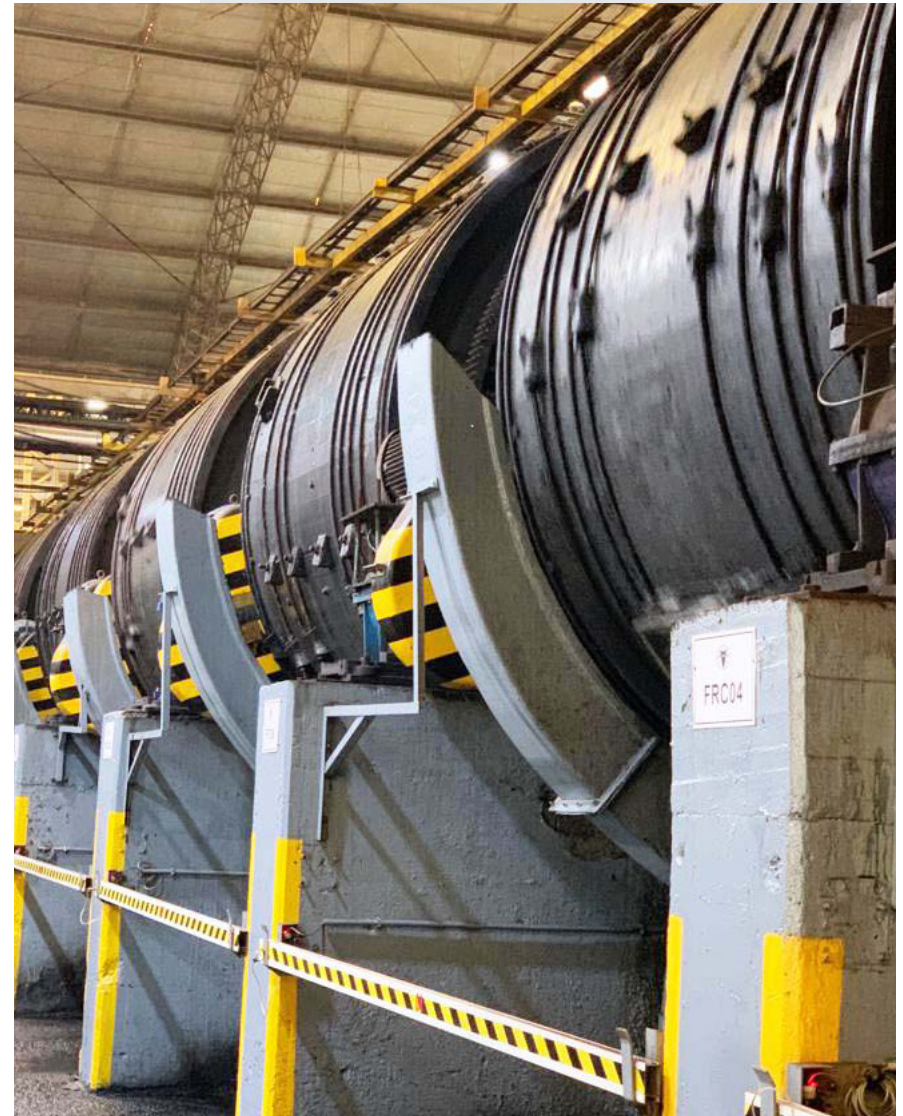
Despite observing a slight increase compared to 2021, we take as a base year 2019 where there was a similar production, 83,911,837 sq. ft. produced (ft<sup>2</sup>), with a recorded energy intensity of 2.02 MJ/ft<sup>2</sup>. This large difference is due to the work done on energy efficiency.

## RENEWABLE ENERGY

Renewable energies are the path towards conscious energy generation, with less environmental impact, and therefore, we rely on renewable energy purchase contracts.

For these reasons, we decided to purchase wind energy from two suppliers that provide service to the Las Toscas and Salta plants. Under normal production conditions, 80% of the energy consumed is renewable. Currently, we consume 73.3%, far exceeding what is required by Law 27,191: Legal Regulations on National Promotion for Use of Sources of Renewable Energy (minimum consumption of 16% during 2021-2022 and 20% from 2025 onwards). In this way, we reduce the negative impacts associated with Scope 2 greenhouse gas (GHG) emissions from purchased energy.

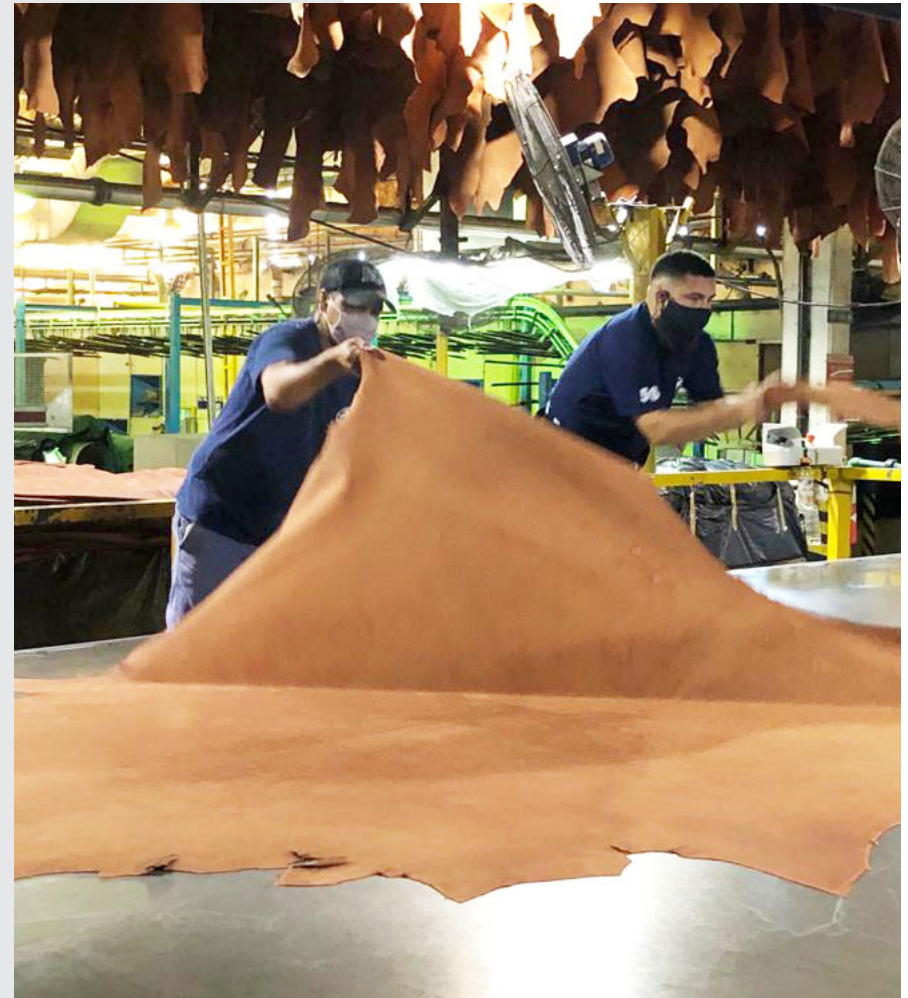
**WE ARE THE FIRST TANNERY IN ARGENTINA THAT  
OBTAINED THE 50001 CERTIFICATION ON ENERGY  
EFFICIENCY MANAGEMENT.**



We have a Greenhouse Gas (GHG) Emissions Inventory in accordance with ISO 14064-1, which from the beginning allowed us to identify, plan and implement initiatives to mitigate these emissions, and thus contribute to the fight against global warming.

The limits established for the analysis of this inventory were the emissions of scopes 1, 2 and 3, partially, that is, the emissions of all the activities developed in the Las Toscas plant and Don Arturo plant (direct and indirect), and for scope 3 only those emissions over which Arlei has operational control.

In this way, CO<sub>2</sub>, CH<sub>4</sub> and N<sub>2</sub>O emissions were identified and quantified as tons of CO<sub>2</sub>eq. In the case of other GHGs of lesser significance (NF<sub>3</sub>, SF<sub>6</sub> HFCs, PFCs, etc.), work will be done in future reports, in which it is planned to include new limits and activities that generate them, and which are not within the current scope of analysis.





# EMISSIONS MANAGEMENT

## GHG EMISSIONS

GHG emissions (tCO <sub>2</sub> eq)			
	Direct emissions - Scope 1 (not including anthropogenic biogenic emissions, biomass combustion)	Indirect emissions - Scope 2	Indirect emissions - Scope 3 (partial)
2022	13,724	2,676	6,530
2021	14,282	3,695	6,759

Although total GHG generation decreased, there was an increase in some Scope 1 emissions given the energy and by LPG combustion and by LPG combustion for forklifts (due to the percentage of movement in the finishing plant and the installation of Don Arturo's warehouses).

The variation in scope 2 is due to the supply of renewable energy, which depends on energy suppliers. In 2021 the supply of renewable energy was 67% and in 2022 it was 80%.



## REFORESTATION PROJECTS

The reforestation project we are working on has two objectives: firstly, to act as a barrier to minimize the impact of odors in the surroundings, and secondly, to gather information on the potential difficulties, maintenance and growth times, and the possibilities that the plantation will offer us to capture CO<sub>2</sub> emissions. The ultimate goal of this project is to minimize our emissions in order to meet the objectives we have set ourselves and, in addition, to have biomass to obtain energy for the boilers.

In 2022, we planted 4,200 eucalyptus camaldulensis, a variety with a high percentage of CO<sub>2</sub> absorption, which far exceeded the forestation project at the Las Toscas plant, in which we had proposed to plant 1,500 eucalyptus and casuarinas seedlings per year. In addition to this, in Carcarañá, we have more than 200 pine plants and other species, such as ash and gleditsia amorphoides.

Water represents an essential resource for the leather tanning, washing and equalizing process. We understand that it is a limited natural resource and for this reason we train our employees on water-use efficiency. As with other environmental dimensions, we establish consumption objectives and goals according to the amount of m<sup>3</sup>/leather based on ISO Standards.

We control withdrawal flow rates; water quality; levels in each well; work and rest regimes in each drilling, and more. Although the resource used (groundwater) has ample capacity to supply the demand of the business units, we believe it is important to maintain consumption within the best standards for the activity.

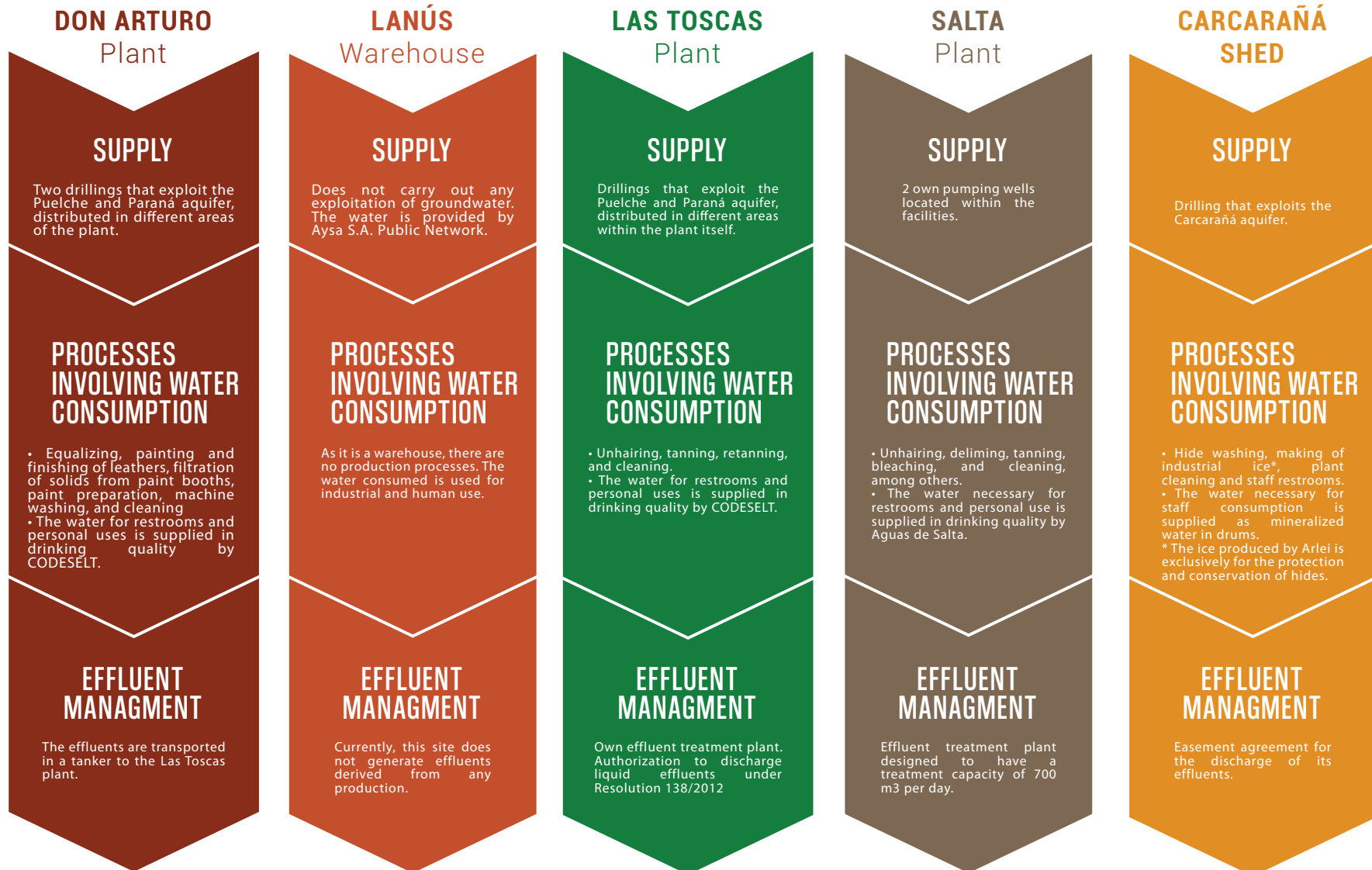
Maintaining water consumption standards also influences effluent management, as it is of vital importance to minimize the amount of effluents to be treated and consequently the efficiency of the treatment process, without oversizing this stage or increasing its cost.





# CONSUMPTION AND DISCHARGE MANAGEMENT

The supply of water for all uses, including the production process of the different plants, is carried out through different aquifers and wells located in the areas surrounding each site. On the contrary, the water necessary for restrooms and personal use is supplied in drinking quality by local cooperatives or service agents, as the case may be.



AT ARLEI, WE CONTINUOUSLY STRIVE TO REDUCE WATER CONSUMPTION THROUGH THE ADOPTION OF TECHNOLOGIES THAT OPTIMIZE CONSUMPTION; RESPONSIBLE HABITS AND BEHAVIORS; AND THE DESIGN OF EFFICIENT PROCESSES.

## WATER CONSUMPTION <sup>1</sup>

FRESHWATER WITHDRAWAL BY SOURCE (ML)	2022	2021	2020
GROUNDWATER	939	1,070	743
THIRD-PARTY WATER	4	6	7
GROUNDWATER IN AREAS WITH WATER STRESS <sup>2</sup>	136	139	107
<b>TOTAL WATER WITHDRAWAL <sup>3</sup></b>	<b>1,079</b>	<b>1,216</b>	<b>856</b>
WATER DISCHARGE BY DESTINATION (ML)			
GROUNDWATER	880	1,011	702
SURFACE WATER IN AREAS WITH WATER STRESS	124	126	98
<b>TOTAL WATER DISCHARGE <sup>4</sup></b>	<b>1,004</b>	<b>1,137</b>	<b>800</b>
<b>WATER CONSUMED (ML)</b>	<b>75</b>	<b>79</b>	<b>56</b>

<sup>1</sup> The water and effluent data of the Maipú offices in Buenos Aires are not included within the scope of this Report.

<sup>2</sup> The Salta plant withdraws a percentage of water from sources with water stress.

<sup>3</sup> Measurements are taken directly with flow meters located at the outlet of the water well.

<sup>4</sup> Substances present in discharges: BOD, COD, Sulfides, Chlorides, Ph. and Temperature, among others.

## CONTROL MECHANISMS

In order to control and achieve the goals, we work transversally with the Environment, Production and Research and Development areas. We have the support of the Management team, who actively participate in decision-making to manage water resources.

In both Las Toscas and Salta plants, we have a measurement and monitoring program where each area manager monitors the variables for compliance with the established goals.

This program is controlled by a group of internal auditors and, when applicable, by external certification audits. Depending on the results obtained, management system tools are used to point out non-conformities and/or corrective actions. Thanks to this control mechanism and the matrix of aspects and impacts, we are able to ensure that the entire organization makes efficient use of water.

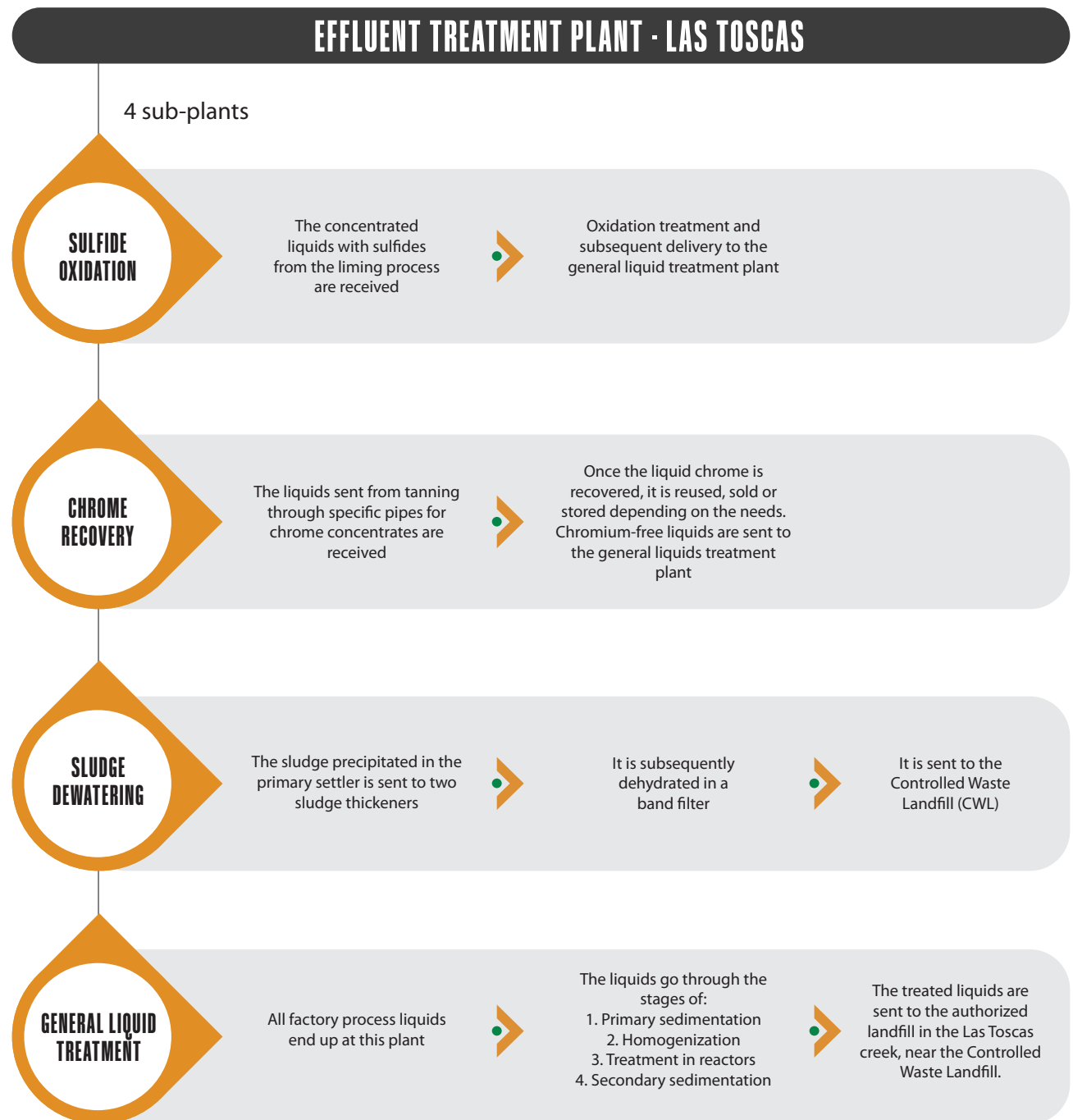




## EFFLUENT TREATMENT PLANTS

In order to comply with the discharge parameters, we have Effluent Treatment Plants (ETP) in our two production plants with the highest production.

The Las Toscas ETP has about 30,000 m<sup>2</sup> with a treatment capacity of 6,000 m<sup>3</sup> per day, and treats both the effluents from the Las Toscas plant and those from Don Arturo, since they are only 5km away. This ETP has 4 sub-plants to carry out the types of treatment suitable for each case:



The Salta ETP is designed to have a treatment capacity of 700 m<sup>3</sup> per day, and has the following treatment stages:



We have documented procedures and instructions to comply with proper management, where each waste is treated in a controlled manner according to its type (separation). In order not to generate negative impacts on the environment, each stream is treated properly and independently.

**THANKS TO THE GOOD PRACTICES IMPLEMENTED AND THE WORK DONE TO RAISE AWARENESS AMONG THE STAFF, IN 2022 WE MANAGED TO:**

- **MINIMIZE WASTE THROUGH PROCESSING, RECYCLING, REUSE**
- **MINIMIZE ODOR IMPACTS BY PLANTING A VEGETATION BARRIER OF 4,200 EUCALYPTUS SEEDLINGS**

The largest volume is generated in the processes and activities of the production plants. However, for all Arlei sites there is a solid waste management matrix where the different streams of waste generated in each workplace are identified and the type of container and place they should be disposed of are identified, in order to ensure their correct separation and subsequent disposal, according to destination. It is also informed whether said waste is recyclable or not, and who is responsible for managing its conditioning, recycling or final disposal.

In the case of waste that cannot be recycled or reused, we have two ways of managing it: at the Salta Plant, said waste is disposed of in a

municipal Controlled Waste Landfill, while for the Las Toscas Plant and for Don Arturo, we have our own Controlled Waste Landfill (CWL) that is authorized by the Ministry of the Environment through Resolution 0096/2003. The operations carried out here are defined by the Arlei management systems and by the procedures and instructions of the ISO Standards.

The design of the CWL and its correct operation ensure that there will be no negative impacts on living beings or the environment. In particular, with regard to odor generation, we monitor air quality frequently, taking action if necessary to ensure that it does not generate nuisances in populated areas.

## HAZARDOUS WASTE MANAGEMENT

Waste categorized as special or hazardous is treated according to the legislation in force for each case. Waste impregnated with oils and greases, impregnated with solvents and paints, batteries, and others are sent for treatment to Hazardous Waste Operators, with their corresponding manifests and certificates of destruction.



# NON-HAZARDOUS WASTE MANAGEMENT AND CIRCULARITY

The constant search for reuse or recycling of waste generated in Arlei not only minimizes the negative impacts that may exist, but also adds value through the circular economy.

For those discards and surpluses that would normally represent waste, we seek to add value with our own production processes in the plant (by-products) or through strategic alliances that allow us to give circularity and turn them into raw material for other processes.

WASTE TREATED WITH THIRD PARTIES			
HARD PLASTICS	METAL SCRAP	CHEMICAL PRODUCTS CONTAINERS	BATTERIES
They are recycled to make pots. If they are mixed with nylon, other products are achieved, such as wood-like boards and strips for benches, tables, playground equipment.	It is sold to scrap companies authorized for the recycling of the material.	100% of chemical containers are washed and returned to suppliers, or sold to companies that are authorized by the Official Body for recycling and reuse.	They are used on forklifts, tractors and backhoes. They are replaced by new batteries with manufacturers and distributors.
CARDBOARD	PAPER	PALLETS	NYLON
100% of the cardboard is compacted and packed to be reused by third parties.	All administrative and production offices separate paper. For the third consecutive year, we were able to donate an average of 2,500 Kg of paper/year to the Garrahan Foundation.	100% of pallets used in production and/or to support materials are repaired and reused.	100% of the nylon is washed and sent to third parties for reuse. A percentage is used for the production of lower quality nylon, and the other for various articles of recovered nylon.
OIL	BOVINE HAIR	SALTS	
100% of the hydraulic oil that is changed from the factory machines is delivered to a licensed waste operator to be used as fuel and power generation.	After the liming and unhairing process, the hair is filtered and separated from the effluent, to be taken to a composting field where it is transformed into compost.	The salts that result from the skin preservation process are processed in an oven to eliminate bacteria, and are reintroduced into the process. The big bag containers are also reused for the same purpose: transporting salt in bulk.	
WASTE TRANSFORMED INTO BY-PRODUCTS			
SURPLUS LEATHER (CLAWS, UDDER, FAT)	LEATHER SHAVINGS	SPLIT LEATHER	UNHAIRD LEATHER SCRAPS
They are used and processed to produce tallow for commercial use (by-product), certified under the guidelines of ISO 22716 standard.	It is generated in the shaving process and is sold as a raw material for other uses such as reconstituted leather.	It is a leather that is obtained after the splitting process, and that is sold for different uses such as shoes, aprons, and gloves, among others.	After the liming process, the scraps are sold to companies in the food industry, mainly



## WASTE GENERATED BY TYPE OF TREATMENT

WASTE GENERATED (T)	UNIT	2022	2021	2020
<b>Recycled or reused</b>		<b>3,664</b>	<b>3,779</b>	<b>2,636</b>
Hair	t	3,464	3,629	2,537
Nylon	t	35	59	19
Hard plastics	t	6	8	5
Cardboard	t	2	10	7
Scrap	t	157	73	68
Raffia <sup>1</sup>	t	0.38	0.38	0
<b>Treated in effluent plant and CWL</b>		<b>18,126</b>	<b>20,438</b>	<b>12,250</b>
Tanned scrap, sludge, fats, chippings, salt, shavings, dust, among others	t	18,126	20,438	12,250
<b>Treated by external operator</b>		<b>16</b>	<b>16</b>	<b>1.85</b>
Oils <sup>2</sup>	t	7	4	0.85
Paints, batteries, impregnated with fats and oils	t	9	12	1
<b>Sold</b>		<b>234</b>	<b>187</b>	<b>122</b>
Bins <sup>2</sup>	t	8	6	6
Contendores <sup>2</sup>	t	225	181	116
<b>TOTAL WASTE GENERATED (T)</b>		<b>22,040</b>	<b>24,421</b>	<b>15,010</b>

<sup>1</sup> Raffia is recyclable, although when treatment has not been possible, it is considered within assimilable waste.

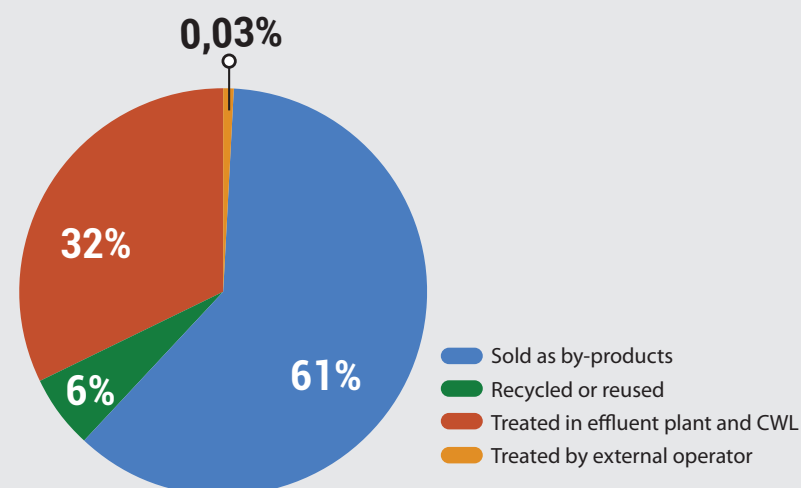
<sup>2</sup> In the previous report, oils (l), bins (units) and containers (units) were not included in the total. This year we have reported their equivalence in tons, so there is a restatement of such data and of the total waste generated for 2021 and 2020. The equivalences used were: oils = 1x1, bins = 8kg each, containers = 50kg each.

**IN 2022, THERE WAS A 15% REDUCTION IN ALL WASTE, WHICH IS IN LINE WITH THE REDUCTION IN PRODUCTION VOLUME.**

SOLD AS BY-PRODUCTS (T)*	2022	2021	2020
Trimnings, tallow, split leather, shavings	34,812	37,245	24,591

\*By-products generated: discards and surpluses that would normally represent waste, to which value is added and converted into raw material for other processes.

### WASTE AND BY-PRODUCT MANAGEMENT



Our main raw material is bovine hides. Having an Animal Welfare Policy is a fundamental component to approach a sustainable manufacturing process. The circular economy and the living conditions of cows and steers are key to the good quality of our products.

Although we have no direct responsibility as skins are unavoidable by-products of food production, we have implemented management systems where we encourage the care and protection of animals in order to improve their quality of life throughout the value chain, including transportation to the slaughterhouse. The purpose of this management is to comply with the implementation of certain standards throughout the value chain, to ensure that the animals are:

- Free from hunger and thirst
- Free from discomfort
- Free from pain, injury, or disease
- Free from fear and distress
- Free to express normal behavior



Likewise, we understand the importance of guaranteeing the traceability of the animals to the farms, demonstrating a transparent attitude added to our commitment to sustainable forests, animal welfare, biodiversity and associated social issues.

Our goal is to spread values and raise awareness internally and in our value chain. We provide information, conduct second party audits, and provide training on animal welfare, traceability and protection of native forests, our three main management axes.

The audits are based on our Integrated Management Policy, Sustainability Policy and Animal Welfare and Traceability Policy, and include the control of traceability, sustainability and environmental management variables, among others. In this way, we verify their degree of compliance, define joint actions, establishing mutually beneficial relationships with suppliers, in pursuit of the improvement of both parties.

**WE WERE GRANTED  
THE GOLD LEVEL IN THE  
LWG CERTIFICATION,  
WHICH ALSO INCLUDES  
THE TRACEABILITY  
EVALUATION OF THE  
RAW MATERIAL.**

We perceive a great acceptance and openness shown by our suppliers when it comes to accepting the execution of second-party audits and the commitment to comply with the Supplier Agreement. Year after year we become more demanding in our evaluations.

ANIMAL WELFARE CONTROL METRICS (AW)	2022	2021	2020
<b>TRACEABILITY</b>			
% of suppliers that document traceability <sup>1</sup>	100%	100%	100%
<b>CERTIFICATION</b>			
% of suppliers with AW CERTIFICATE	42%	35%	7%
% of suppliers with AW implemented	37%	45%	64%
% of suppliers with AW not implemented	21%	20%	21%
% of suppliers without information	0%	0%	7%
	<b>100%</b>	<b>100%</b>	<b>100%</b>
% of suppliers that implement and certify AW	79%	80%	71%
<b>AUDITS</b>			
Audit plan compliance	87%	94%	0% <sup>2</sup>
AW audit average score	87%	88%	0 % <sup>2</sup>

<sup>1</sup> Applies only to suppliers of fresh skins.

<sup>2</sup> During the pandemic audits were suspended.

- The decrease in suppliers with AW implemented is due to the high increase in suppliers with AW CERTIFICATE.
- A decrease in compliance with the plan is seen due to the fact that the meat processing plants changed the audit planning for 2023.
- The average score remained almost the same due to the fact that the audit checklist was modified in 2022, being even more demanding in the questions and requirements for our suppliers.

**IN 2022, WE ACHIEVED 87% PERFORMANCE IN ANIMAL WELFARE AND 100% TRACEABILITY OF FRESH SKINS TO THE FARMS OF ORIGIN. WITH SECOND-PARTY AUDITS AND HARD WORK, WE CAN ENSURE THAT OUR LEATHER SUPPLIERS DO NOT COME FROM DEFORESTED AREAS OR SUPPLIERS LINKED TO ILLEGAL PRACTICES.**



## PILOT PROJECT ON DEFORESTATION

In 2022, we entered into an alliance with non-profit organizations and government bodies, particularly the Ministry of Agriculture of the province of Santa Fe, to work on the project for the production and export of deforestation-free meat and hides.

Other actors are also involved in this project, such as slaughterhouses, farms, feedlots and other tanneries in the area.

Arlei's role is to provide as much information as possible on the needs of the external leather market, according to customer requirements. In addition, to inform about the suppliers we work with so that, working together, we can achieve the desired traceability, informing about the areas of origin of the raw material.

Once the main objective of providing a complete mapping of the province of Santa Fe, through the geolocation system, has been achieved, it is expected to be able to take the project to a national scope.







# 06.

## **SOCIAL MANAGEMENT**

Diversity and equal opportunity  
Occupational safety and health  
Local Communities

We work to align it with the Business Plan and the Company's quality and environment management system. The wellbeing of people, inside and outside the organization, requires an approach that reflects the corporate values and the culture that defines us, in harmony with the environmental relationship and the prosperity of the business.

To make decisions we rely on our Ethics and Sustainability Policies and our Codes of Coexistence and Conduct for Corporate Sustainability, which apply to all Company workplaces, and reflect our commitment to non-discrimination based on gender, religion, political opinion, or any other condition.

GRI 2-7, 2-8, 2-30, 3-3, 405-1

## DIVERSITY AND EQUAL OPPORTUNITY

The richness of a diverse workforce and the equality of opportunity offered to our employees are two very important aspects for Arlei. We work on these premises so that we can offer all the people who make up the Company a pleasant and open work environment.

When hiring employees, we have a process that includes the job descriptions, the specific training profile, and the necessary skills so that the activities for which the person will be hired are carried out efficiently.

We do not allow biases of gender, religion, political opinion or any other social condition when carrying out the selection process.

Our industry has historically been masculinized since in the past the work in our sector required a high physical effort. As the years have passed, the technology applied to work has advanced and the physical effort in the plant has decreased. However, women representation within the tanneries continues to be a challenge that we face at the sector level.

## OUTSOURCED SERVICES

A large proportion of outsourced staff working at Arlei is given by the security service, cleaning service and canteen service. All of them perform work that is under the control of our organization, so we apply the "Internal Contractors Regulation", which is delivered to each of these companies, and which defines guidelines to be met to provide services in our plants and in line with our standards. From Arlei, we internally control their compliance periodically.



## WORKFORCE PROFILE

### WORKFORCE PROFILE

	2022	2021	2020
<b>BY GENDER</b>			
<b>Women</b>	67	65	63
<b>Men</b>	1,303	1,326	1,258
<b>BY AGE</b>			
<b>Younger than 30 years old</b>	160	194	108
<b>Between 30 and 50 years old</b>	922	964	909
<b>Over 50 years old</b>	288	233	204
<b>BY CONTRACT TYPE</b>			
<b>Temporary</b>	114	166	117
<b>Permanent</b>	1,256	1,225	1,204
<b>Total</b>	<b>1,370</b>	<b>1,391</b>	<b>1,321</b>

IN 2022, THE NUMBER OF PERMANENT EMPLOYEES INCREASED, AS WE HIRED EMPLOYEES WHO WERE WORKING UNDER TEMPORARY OR CASUAL CONTRACTS.

Since 2016, we have conducted the annual Great Place To Work survey, in which topics related to non-discrimination based on race-gender-religion are assessed. Historically, this area exceeds 80% favorability, showing that the people who work at Arlei feel comfortable, integrated and respected as regards diversity.

### DISTRIBUTION BY JOB CATEGORY 2022

	WOMEN	MEN	< 30 AÑOS	< 30 YEARS OLD	> 50 YEARS OLD
<b>Operators</b>	22	1,078	152	742	206
<b>Analysts and assistants</b>	31	86	8	84	25
<b>Supervisors and heads</b>	1	62	0	46	17
<b>Chiefs</b>	9	38	0	30	17
<b>Coordinators</b>	3	28	0	17	14
<b>Directors and managers</b>	1	1	0	3	9
<b>TOTAL</b>	<b>67</b>	<b>1,303</b>	<b>160</b>	<b>922</b>	<b>288</b>

### DISTRIBUTION BY PRODUCTION PLANT

	2022		2021		2020	
	Temporary	Permanent	Temporary	Permanent	Temporary	Permanent
<b>Las Toscas + Don Arturo</b>	95	975	140	947	100	928
<b>Salta</b>	17	168	16	166	17	158
<b>Lanús + CABA offices</b>	0	76	0	75	0	77
<b>Carcarañá</b>	2	37	10	37	0	41
<b>Subtotal</b>	114	1,256	166	1,225	117	1,204
<b>TOTAL</b>	<b>1,370</b>		<b>1,391</b>		<b>1,321</b>	

# ETHICAL AND TRANSPARENT RELATIONSHIPS

The Human Resources team has a series of policies and codes that establish the premises to maintain open, ethical and transparent relationships within labor relations. All of them are reviewed annually, and if updated, they are communicated to the staff.

**IN 2022, THE ETHICS POLICY WAS REVISED  
TO EXPLICITLY STATE ALL THE GUIDELINES  
ESTABLISHED IN THE ETI BASE CODE.**



## COMMUNICATION CHANNELS

We have mechanisms in place through which the employees can report harassment behaviors or instances related to any lack of respect that may occur within our facilities. These concerns can be communicated directly to the Human Resources area, or through some of our virtual channels: phone calls, WhatsApp, and complaints section on our website, to ensure anonymity if necessary for the complainant.



## MANAGEMENT POLICIES

As mentioned in the Governance, Ethics and Integrity chapter, all our policies are approved by Senior Management, who assume the commitments established in them. They are communicated to all relevant stakeholders, through trainings, posters, mailings, etc. and some of them are publicly accessible through **our website**.

The Human Resources and Institutional Relations teams are supported by the following:

- **Wellbeing and open doors policy:** It is intended to support, internally and externally, the continuous improvement of the quality of work and environmental life, with programs aimed at the wellbeing of staff and their families. In addition, it promotes:

- Support for family members in difficult situations.
- People with doubts or concerns can tour the facilities.
- Guided tours for students, family members, neighbors and institutions.
- Work internships, talks and presentations.
- Community relations.

- **Integrated Human Resources Policy:** It establishes guidelines aimed at attracting, incorporating, managing, motivating, developing, directing and organizing human talent, focusing on the optimization of competitive results for the Company. In addition, it proposes:

- Guidelines when selecting employees and accompanying them in their adaptation.
- Promotion of a healthy and safe work environment.
- Equal opportunity.
- Personal and knowledge development.
- Strengthening of self-improvement attitudes and contribution of ideas.
- Approach to labor and union relations.  
Transparency in the relationships during the hiring and dismissal instances.

- **Corporate Ethics Policy:** It establishes the commitment to the definition of the principles and values that govern each of the Company's activities, and the relationship with employees, customers, suppliers, the government and society in general, including respect for current legal regulations, prevention of corruption, ethics escalation and sustainable development. In addition, it promotes:

- Respect for current legal regulations.
- Prevention of corruption, ethics escalation and confidentiality in the event of complaints.
- Freedom of collective association.
- Zero tolerance for forced, compulsory or involuntary labor.
- Zero tolerance for unequal or discriminatory treatment based on political, religious, racial, age, disability, gender or sexual orientation grounds.
- Payment of fair salary and benefits according to activities.
- Protection of people's health and safety.
- Respect for the rules of the established coexistence code and code of sustainable conduct.

## OPEN RELATIONSHIPS

Arlei allows its employees the freedom to join the unions that they consider best represent them. Communication between the Company and union representatives is very good, allowing for mutually beneficial agreements.

**MORE THAN 90% OF ARLEI'S EMPLOYEES ARE COVERED BY COLLECTIVE BARGAINING AGREEMENTS.**

Some of them are:

- Leather Workers' Union (STIC for its acronym in Spanish).
- Association of supervisors, employees, managers and technicians of the leather industry (ASEETIC for its acronym in Spanish).
- Tannery Workers' Union (SOC for its acronym in Spanish).
- Union of Employees, Foremen and Managers of the Leather Industry (SECEIC for its acronym in Spanish).



## COMMITMENT TO EMPLOYEES

Human capital is a great asset for companies, which makes us have a strong commitment to the people who work at Arlei. To do this, we design initiatives that seek to promote their wellbeing from different areas of personal development, and with several goals.

We have initiatives that are already included in the Company's annual programming:

- Paternity leave: days granted by law + 2 extra paid days.
- Relocation of people with reduced capacities to manage their work.
- Filling of senior level positions with employees who have developed internally.
- Recognition of Workers' and Tanners' Day, awards of medals for 20, 30 and 40 years of seniority and celebrations of traditional days.

In 2022, 44 medals were awarded among the 3 seniority categories.

- Recreational initiatives such as photography contests, calendars, murals, and Christmas card drawings competitions, inter-area breakfasts, and gym classes.

In 2022, 211 children of employees participated in the drawing contest (for all plants).

- Library with 1,600 books available to employees and their families in order to encourage reading.

In 2022, we received a donation of 35 textbooks of teaching materials from an employee of Lanús

- Support Plan/assistance program for immediate family members who are going through a difficult situation.

In 2022, we assisted 8 families in Las Toscas.

- Scholarships (financial aid) for children of employees who present a high school transcript with an average equal to or greater than 8.5 points, or a certificate of commencement of university studies with 75% of the annual plan approved.

In 2022, we provided scholarships to 5 children of employees

- Training courses for staff in activities outside the work environment, such as welding and blacksmithing, durlock, bakery, etc.

In 2022, 45 employees from the Salta plant attended these courses.

- Staff dinners where we get to know people better, listen to their concerns and proposals for improvement, and create meeting spaces in order to improve the work environment.

In 2022, we organized 15 dinners and a breakfast with young professionals with the COO, the general manager and the human resources team.



Beyond legal regulations and strict compliance, for Arlei the safety and health of employees is a priority and comes before any other requirement. Our purpose is to preserve the psychophysical health of our people, identify hazards, assess them and introduce control measures to minimize their impact, as well as guarantee an efficient response in the event of an occasional emergency.

All the activities carried out by our organization have associated hazards that can lead to an occupational accident or disease, so the scope of our management not only includes activities within our establishments, but also the relationship with activities in the area of influence and in the transportation to and from the production sites, for all the people involved.

Our management is supported by the criteria established in:

- **ISO 45001**, which frames international standards.
- **Health, Safety and Environment (HISE for its acronym in Spanish) Manual**, which sets out the internal philosophy of Occupational Safety and Health.
- **Integrated Management Policy** and its guiding principles for each of the management systems implemented.
- **Japanese tool called "5S"**, which Arlei's teams have been applying to their daily work since 2011 and which is included in the HISE Manual.

5S is structured in the steps of Sort, Set in Order, Shine, Standardize and Sustain. The objectives associated with this philosophy are the reduction of incidents and risks, pleasant environments and improvement in product quality, among others.

Every year, audits are carried out at the different plants to verify compliance with this philosophy. Thanks to the changes implemented within the "5S", we have achieved noticeable results in our facilities, evidencing continuous improvement. Since our facilities are located in different provinces of Argentina, we adapt our management based on compliance with each of the laws, resolutions and decrees of Buenos Aires, Salta and Santa Fe. In addition, we comply with National Law 26,773 on the Regulation of compensation for damages arising from occupational accidents and diseases, and National Law 24,557 on Prevention of occupational hazards.

It is the combination of all these approaches that allows us to clearly identify the hazards, associating to each of the tasks performed within the Company (whether production, services or others) a detailed management, defined by its risk according to the probability of occurrence and potential severity of the injury.





## OCCUPATIONAL INJURY AND DISEASE MANAGEMENT

Arlei has a team of occupational physicians who manage the prevention and treatment of occupational diseases. Together with the ART prevention area, annual campaigns of periodic examinations are carried out to detect the existence of occupational diseases among workers exposed to risk agents. If any cases are detected:

- ① An assessment is made of the state of the disease.
- ② The most appropriate control measure is determined so that said situation does not reach the degree of occupational disease.
- ③ Ongoing injuries or diseases are constantly monitored by the medical service.

**DURING 2022, WE WORKED ON A PLAN TO CONTROL HEARING LOSS, MAINLY CASES DETECTED WITHOUT WORK DISABILITY, WHICH ALLOWS US TO GENERATE CONTROL ACTIONS SO THAT THESE DISEASES DETECTED EARLY DO NOT REACH A SEVERITY THAT AFFECTS THE HEARING ABILITY OF OUR STAFF.**



## EMERGENCY BRIGADES

Arlei has defined its emergency action in a procedure called ACODE Plan (Coordinated Emergency Action). This plan defines the planning, preparation and actions to be taken in the event of an emergency, as well as the creation of an operational team to deal with them.

- Its role is to deal with the emergency in the initial phase until the corresponding professional teams can intervene.
- Continuous training and coaching, theoretical and practical training, and review and adaptation of equipment.
- An annual amount of money is allocated for specialized training and for the replacement and purchase of equipment.
- The teams in Las Toscas and Don Arturo are volunteers, and are made up of 1 emergency brigade member for every 30 people on average. In Salta the average is lower, and in Lanús we have a group of people trained mainly in dealing with emergencies involving hazardous materials.

**DURING 2022, DON ARTURO'S EMERGENCY TEAM WAS STRENGTHENED, INCREASING THE NUMBER OF BRIGADE MEMBERS, EQUIPMENT AND TRAINING HOURS, IN RESPONSE TO THE FIRE RISKS OF THE FACILITY.**



# RELOCATIONS

From the Human Resources and Health and Safety departments, we constantly carry out a management of relocation and adaptation of employees with reduced operational capacities due to injuries or diseases, either due to natural or work-related causes.

Management stages:

- ① Risk assessment in each job position based on the assessment of hazards and risks, morbidity rates and the profile diagram of each job.
- ② Once the situation is identified, an analysis of the remaining capacities and psychophysical restrictions of the person in question is carried out.
- ③ Internal incapacity report.
- ④ Cross-assessments of the job positions with the report.
- ⑤ Definition of the activity with the greatest possibility of adaptation.
- ⑥ Relocation of the person.
- ⑦ Follow-up within defined periods to evaluate the person's adaptation to the new position.

We have had some cases of relocations, in which people with lower or upper musculoskeletal problems due to injury or illness, or dermatitis or allergy problems, were relocated to positions where they were not exposed, such as surveillance, administration, maintenance of green spaces, care and maintenance of restrooms and locker rooms, and other operational tasks without repetition of movement or exposure to sensitizing substances.



## CONTROL AND MONITORING MECHANISMS

We have hazard and risk matrices to control each action and to assess our performance in terms of health and safety. This procedure is complemented with scheduled audits on relevant issues, defined based on the risks, in which we seek to adjust working conditions to optimal standards.

Within the Arlei production sites, we have HISE areas that are under the responsibility of teams of people specialized in Health, Safety and Environment issues.

In every plant, the prevention teams have the following roles:

- Provide advice to the chain of command
- Establish safety guidelines
- Assess compliance with said guidelines
- Implement the corresponding corrections

**THANKS TO OUR MANAGEMENT,  
OCCUPATIONAL HEALTH AND SAFETY IS  
AVAILABLE TO ALL EMPLOYEES AND IS  
AN INTEGRAL PART OF THE COMPANY.**

---

In recent years, we have implemented improvements in working conditions that directly influence the prevention of occupational accidents and diseases, such as mechanical aids with systems for moving leather by dragging and automation system for adding chemical products, among others.

Likewise, we have an indicators base that allow us to follow different parameters and performance of accidentology in order to monitor and improve year after year.

In the event of an accident, an investigation of the causes is carried out to detect what the problem was, and all necessary actions are taken to correct it and prevent it from happening again.

We also carry out a list of controls and audits to control risks in the different workplaces:

- Controls on the use of elements and safety conditions in personal protection installations such as fire extinguishing systems, eye showers, chemical identification, spill containment, noise measurement, etc.
- Machine safety audits, forklift inspection and ergonomic studies.
- Training.



## EXTERNAL WORKERS

For those cases of hiring external workers who maintain a business relationship with the Company, we require that they commit to comply with the internal regulations for contractors, in which we establish the guidelines to be followed regarding health and safety within the organization, as well as Arlei's policies and codes through which they are required to comply with our requirements of coexistence and conduct.

## EMPLOYEE ACTIVE PARTICIPATION

We have a Joint Committee made up of representatives of the union and staff from Health and Safety, Human Resources, Legal and Medical Service areas, who oversee the Company's policies and guidelines, analyze occupational accidents and statistics, suggest solutions, among others.

In addition, we encourage employee participation through our System of Ideas for Improvement, in which we support the generation of ideas and contributions regarding improvements or modifications to their work environments or operating methods.



## SAFETY CULTURE FOSTERING

We have a reward system for accident prevention and achievement of goals regarding accidentology, with the aim of awarding prizes to people who demonstrate optimal performance in matters associated with prevention.

We reward the following achievements:

- ★ Every 7 consecutive days without lost time accidents
- ★ Every 30 calendar days without lost time accidents
- ★ If the accidentology goals of the plant are improved annually

## MEDICAL SERVICES

We have medical assistance for the staff in all plants, with different operating methodologies for each case and always in compliance with the functions of occupational medicine and current legal regulations. The professionals in charge carry out monitoring of occupational diseases and accidents, morbidity studies of the employees, monitoring of specific cases, monitoring of risk factors for occupational diseases, control of absenteeism, prevention campaigns, training, permissions to leave work, accident reports, if applicable, and other functions related to the health of employees.

In the Las Toscas, Salta and Lanús plants, we have occupational physicians and nurses. When possible, they are internal and when not, the medical attention service is outsourced, with professionals who are in the facilities and report to the internal areas of the Company. Urgencies and

emergencies of any person who is in the plant, whether or not they are employees, are covered by what is called a Protected Area. In all cases, we have a 24-hour transfer and emergency service.

On an annual basis, training and awareness activities are proposed, with the aim of maintaining high health standards and, in turn, reducing absenteeism. Preventive activities and campaigns are also carried out by teams of physicians and/or nurses according to each site:

- 1 Application of catarrhal vaccines to all employees who require it
- 2 Application of tetanus vaccines
- 3 Flu vaccine campaigns
- 4 Prevention of problematic consumption
- 5 Prevention of brucellosis
- 6 Handling of snakes
- 7 Training in: First aid, CPR, HEIMLICH
- 8 Healthy nutrition and physical exercise campaign
- 9 Prevention of smoking and obesity
- 10 Heat stroke, thermal stress prevention
- 11 COVID-19 swab testing
- 12 Ergonomics campaign: ensuring good posture, active breaks, etc. during work for positions that required it.

## HEALTH AND SAFETY INDICATORS

	2022	2021	2020
<b>OCCUPATIONAL INJURIES – EMPLOYEES</b>			
<b>Fatalities</b>	0	0	0
<b>Serious injuries <sup>1</sup></b>	1	2	0
<b>Minor recordable injuries <sup>2</sup></b>	39	78	43
<b>Hours worked</b>	2,098,619	2,681,408	1,992,918
<b>Occupational injury rate <sup>3</sup></b>	<b>19</b>	<b>29</b>	<b>22</b>
<b>OCCUPATIONAL INJURIES – CONTRACTORS</b>			
<b>Fatalities</b>	0	0	0
<b>Serious injuries</b>	0	0	0
<b>Recordable injuries <sup>4</sup></b>	3	1	2
<b>Hours worked</b>	251,750	206,976	156,288
<b>Occupational injury rate</b>	<b>12</b>	<b>5</b>	<b>13</b>

<sup>1</sup> Serious Injuries: Trapping in moving parts of machinery.

<sup>2</sup> Minor injuries recorded in employees: muscular injuries, traumatismos, sprains, cut injuries.

<sup>3</sup> Occupational injury rate: calculated based on the number of accidents over the hours worked per million hours.

<sup>4</sup> Minor injuries recorded in contractors: muscle injuries and trauma.

## ACCIDENT INCIDENCE RATE

According to current regulations, a comparison is made between Arlei's accident incidence rate and the average rate of the tannery industry. When a Company's rate exceeds the industry average, it enters into an action plan with commitments and initiatives that are followed up until the agreed standard is reduced. This calculation takes into account accidents with 10 or more lost days, and uses the Program for the establishment of high accident rates (PESE for its acronym in Spanish) and the Program for the reduction of accidents (PRS for its acronym in Spanish) tools.

In 2022, Arlei's incidence rate was 45.06 and the average rate for the activity is 91.7, placing us well below the indicator.



We conduct annual training sessions for internal and external staff on a variety of topics:

- Forklift operation (for license renewal and theoretical-practical exams on safe driving).
- Chemicals management.
- Lectures on emergencies and other topics related to HISE, given by brigade and fire department staff or Safety and Hygiene graduates.
- Annual training on Ergonomics, accident prevention, occupational diseases, First Aid and CPR.
- Constant awareness on:
  - Use and care of personal protective elements
  - Noise in the workplace, hearing loss and hearing protection
  - Manual handling of loads, prevention of musculoskeletal injuries
  - First aid in the workplace
  - Coordinated action plan for emergencies
  - Fire extinguishers, classes and use
  - Road safety
  - Risk of in-itinere accidents

We maintain the necessary prevention measures according to the evolution of the context, such as the measures associated with the use of disinfection elements and the monitoring and follow-up by health agents, which are currently summarized as follows:

- Technical committee focused on prevention and communication of cases.
- Disinfection activities and use of personal protective equipment.
- Early detection by means of random swabs of respiratory cases.
- Control and follow-up of the health of employees affected by the disease.
- Control and follow-up of new cases until they are discharged and return to their normal activities.
- Promotion of good practices such as the application of vaccines and booster vaccines.
- Coordination with the local Hospital of Las Toscas to achieve the active immunization scheme in all our staff.





## LOCAL COMMUNITIES

GRI 3-3, 413-1

The Company has a comprehensive management system that includes respect for the ethical values of both the people who belong to Arlei and the communities surrounding us. Actions aimed at achieving community development are managed by the Institutional Relations team, of which some members are also part of the Sustainability Committee.

We have a Community Relations Program that seeks to guide support actions through a fluid and transparent dialogue with the communities and with other stakeholders (employees, customers, suppliers, media), in order to comply with the expectations and proposed goals. We also contribute to the strengthening of civil society through the management of alliances and networking with NGOs, government organizations and educational institutions.

**We invest resources in money, time and in kind for initiatives aimed at community development and wellbeing.**

**We focus our activities on populations at social risk with a high rate of UBN (Unsatisfied Basic Needs), students attending primary, secondary and rural schools, and organizations that provide solidarity aid and assistance such as NGOs and commissions that promote sustainable solidarity entrepreneurship (social assistance organizations, school cooperatives, neighborhood associations, senior living homes, children's soup kitchens).**



## INITIATIVES OF INVESTMENT IN THE COMMUNITY

When designing initiatives regarding the community, we have some that are carried out in all production sites and others that respond to the particular needs of the areas of influence in which each plant is located. We strive to maintain existing alliances and establish new ones with other health organizations, schools and other nearby institutions.

“Feel Useful” (“Sentite Útil”) and “Cherish the hope” (“Abrigando Esperanza”) are a corporate volunteering program at the Company level, in which all our employees are invited to participate. They seek to provide support with school elements and supplies at the beginning of the school year, and to donate warm clothing.



As regards the specific activities implemented in the plants, the following stand out:

### LAS TOSCAS Y DON ARTURO

Contributions to entities such as neighborhood soccer schools, senior living homes, children's day homes, volunteer firefighters, local police stations, soup kitchens, Las Toscas Social Club; crust leather cuttings for local craft workers and school workshops; tools for community vegetable gardens; public tree planting campaign in partnership with the local municipality, among others. Some of the achievements in 2022 included:

- The planting of 4,200 eucalyptus seedlings as part of the annual forestation program, and the donation of 100 native trees to San Antonio de Obligado Recreational Park (neighboring town of Las Toscas).
- The signing of an agreement with a group of women seamstresses, to whom we loaned an industrial sewing machine, threads and fabrics for making quilts and blankets.
- The “Arlei pays attention to education” campaign, where we delivered sports equipment to primary and secondary schools (we plan to continue and expand the scope in 2023).





## SALTA PLANT

Donations of leather scraps to school and adult workshops for leather handicrafts manufacturing; donations of compost to sports institutions to improve the playing fields and in collaboration with the Provincial Secretary of the Environment to the Forest Nursery, which uses the compost for tree germination. Monthly contributions are also made to hospitals, police stations, clubs, firefighters and local soup kitchens. In 2022, we innovated by training our employees in activities outside the work environment, such as welding and blacksmithing, durlock, pastry, among others.



## CARCARAÑÁ

An agreement was reached to help the city's animal protection NGO that assists the large number of dogs that are abandoned in the street (greyhounds) as a result of the new law prohibiting dog racing. In addition, an agreement was made with the local municipality to receive soil and debris from its collection in the city. This alliance relieves the spaces where the municipality deposits garbage, and helps Arlei to recover land in the plant park that is floodable. So far, more than 300 m2 of the Company's premises have been reclaimed.



## LANÚS WAREHOUSE

It carries out several actions such as, for example, the donation of materials like scraps of fabric, canvas, wadding and foam rubber, to kindergartens. Other tools are also donated to different cooperatives who, thanks to the support of Arlei, currently have machines delivered on loan to conduct businesses for the manufacture of work clothing, personal protective elements and furniture, among others. Lanús warehouse also donates furniture and work material to the local police station, and has a solid relationship with one of the hospitals in the area, with whom it has been working to generate more sustainability projects.



In summary, in 2022 we achieved:

- Follow-up visits to the hospital to know how the project for the implementation of ecological waste bins is working, which were timely delivered and strategically distributed in different areas of the health institution.
- Agreements signed with the Lanús Fire Department, for the storage of some units in a space in our premises and free talks in return.
- Link with the community of the Villa Porá Neighborhood and the commission that represents it. We plan to carry out cultural and sports activities for the neighbors. Donations of supplies are made to maintain the cleanliness of the community kitchen soup of the neighborhood. The Commission collaborates with Arlei and the Eco-Bottles Program by delivering filled plastic bottles according to requirements.
- Link with the Lanús Metallurgical Cooperative, to which Arlei donates several materials and the consideration is items made as gifts to be delivered or raffled among our internal employees. The Cooperative also participates in our Eco-Bottles Program by providing plastic bottles, according to the requirements.
- Occasional donations of sewing supplies to CURT-IMPEX Cooperative, in accordance with the participation of the Tannery Workers' Union.
- Link with Kindergarten No. 7 of Avellaneda, in terms of donation of supplies for handicrafts.
- First contact with the NGO Vida Solidaria, for the donation of all reusable disposable items, which are used to feed homeless people.



Declaration of use  
Curtiembre Arlei S.A. has presented the information cited in this GRI content index for the period between January 1 and December 31, 2022 using the GRI Standards as a reference.

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# ARLEI

MUCH MORE THAN LEATHER

Sustainability Report

# 2022

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