



ARLEI

MUCH MORE THAN LEATHER

Sustainability Report

2021



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MESSAGE FROM THE EXECUTIVE MANAGEMENT

GRI Disclosure 102-14

Thank you for your interest in Arlei Leather Group Sustainability Report 2021.

From the Executive Management team, we are proud of the path that we began to travel a few years ago in terms of sustainable development and that, for the first time, we are embodying in a public document addressed to all our stakeholders.

Arlei is a national tannery that produces high-quality bovine leather and distributes Argentine products worldwide. This is the result of the hard work that we have been carrying out since our family established its foundations in 1938, and that continues to this day thanks to our work teams and the values that define us as a company.

In the last two years, the global COVID-19 pandemic has brought great challenges in the economies, such as the fluctuation of the global market and the restrictions concerning the international transportation of goods, with a special impact on exporting companies like ours. However, at Arlei we have managed to maintain annual results within what is expected in this context and have exceeded our production level.

Thanks to the Health and Safety measures that we put in place in our facilities, we achieved business continuity, always preserving the health of our employees and their families. We implemented all kinds of measures both in the plant and for people working from their homes. In addition, within our integrated management system, we managed to reduce the rate of occupational injuries by almost 40%.

Comprehensively, we continue with the ongoing projects that bring us closer to a business model with sustainable guidelines each and every day. Our Leather Working Group membership and the development of our own sustainable brand "Life Program" support this.

During 2021, our production level of hides and by-products increased. Usually, production increases bring with them increases in energy consumption, however, at Arlei we were able to reduce the energy intensity per sq. ft. produced for the third consecutive year, and even better, we increased the percentage of renewable energies consumption reaching to 63%.

Regarding animal welfare and the traceability of the skins we work with, we managed to get 100% of our raw hide suppliers to document their management, obtaining excellent results.

Regarding the social aspect, we have teams committed to both the business and the impact on the communities near our facilities. Since 2016, we have carried out the annual Great Place to Work survey, in which we have remained within the Top 10 on two occasions and in which we have obtained a score of over 80%, reflecting the level of satisfaction of those who work at Arlei.

Regarding the community, during 2021 we continued to provide support to people with a high rate of unsatisfied basic needs, with whom we have had alliances for some years. We carried out initiatives that also involved our employees and, in addition to the pre-existing projects, we added specific responses to the demands that were presented to us regarding needs associated with the national emergency declared due to COVID-19.

Before inviting you to read in depth about our activities and performance in economic, governance, social and environmental matters, we would like to emphasize that the achievements obtained are the result of a remarkable effort, a high commitment on the part of the people who work at Arlei, and a good relationship with suppliers, customers, government agencies, and industry peers. This allowed us to be aware that we have a great capacity to adapt and effectively manage unforeseen events that may arise, regardless of their magnitude, and in collaboration with the people around us.

We thank you very much,



Verónica Estroff
Leonora Ceisue



OUR FIRST REPORT

GRI Disclosures 102-1, 102-3, 102-5, 102-45, 102-48, 102-49, 102-50, 102-51, 102-52, 102-53, 102-54

A few years ago, we set out to start preparing this document, and during 2021 we decided to participate in the Global Reporting Initiative (GRI) Competitive Business Program in order to give it a format in line with global reporting trends, and in accordance with the GRI Standards, “GRI Referenced” option. This is how we came to publish the first Sustainability Report of Curtiembre Arlei S.A. (hereinafter “Arlei Leather Group”, “Arlei”, “the company”, “the organization”).

Throughout the report not only relevant topics for the industry are described, but we also seek to reflect our commitment and approach towards a sustainable tannery industry. The data and content provided in this edition cover the period between January 1 and December 31, 2021, with comparative data from up to two previous years. The scope includes the Las Toscas Plant, Don Arturo, Salta Plant, Lanús Warehouse, Carcarañá Shed and the Maipú corporate offices, located in the City of Buenos Aires, where the company’s management is centralized. All these facilities are consolidated as Arlei Group.

Being our first Sustainability Report, there are no restatements of data or changes in the way this document was prepared.

We hope to continue reporting annually on our progress in economic, social and environmental topics, and year after year improve the quality of our data to meet the expectations of our stakeholders.

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



ARLEI

ABOUT US

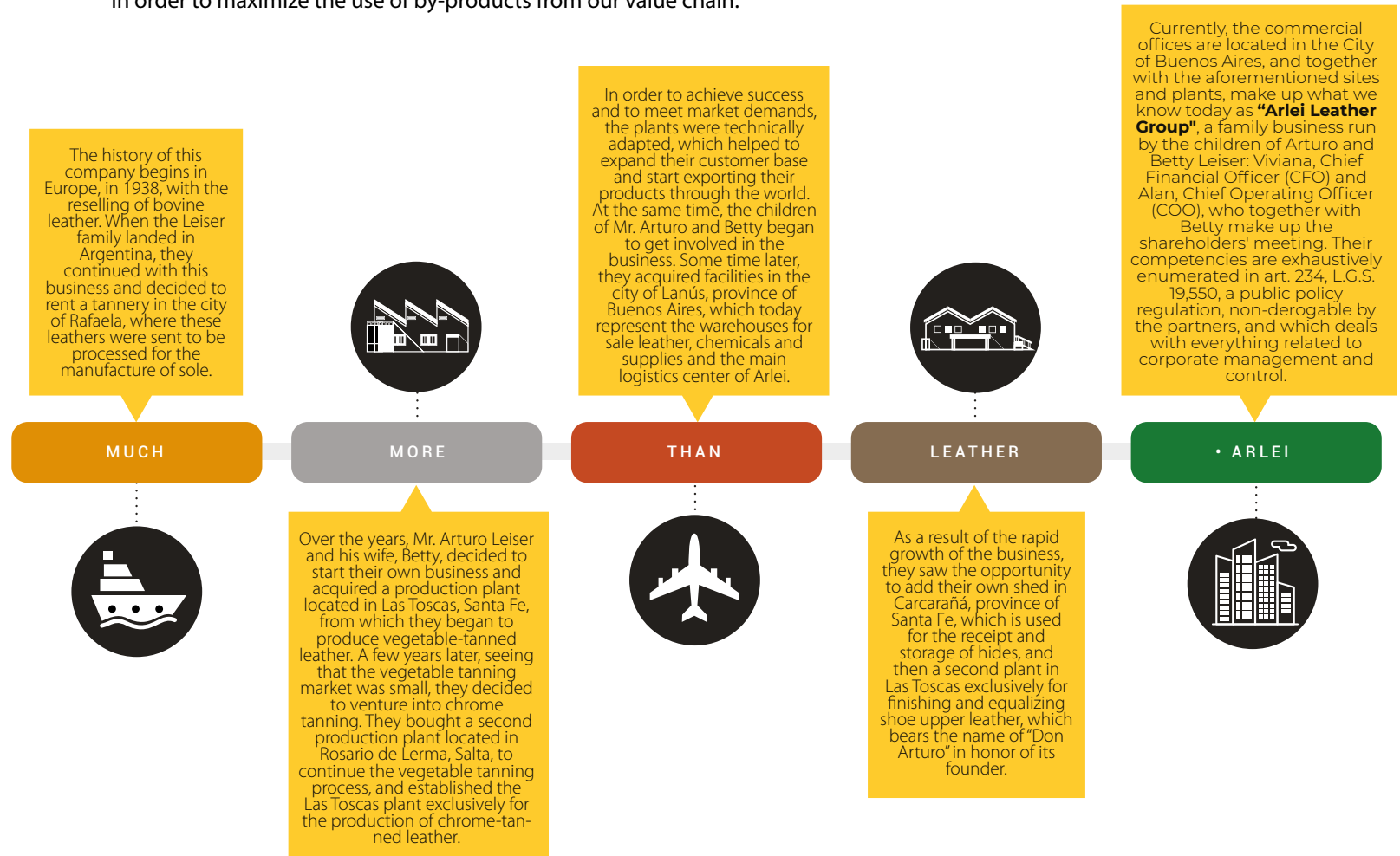


IT IS OUR IDENTITY THAT KEEPS US ON THE PATH OF CONTINUOUS GROWTH. WE ARE FLEXIBLE AND BELIEVE IN THE BENEFITS OF AGILE DECISION MAKING. WE ARE ENTREPRENEURS AND WE ARE PROUD TO MAINTAIN THIS SPIRIT GENERATION AFTER GENERATION



We are a family-owned Argentine corporation, leader 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. Being 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. 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.





MISSION

“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”.

VALUES

- 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 unit are not allowed.
- Anyone who wants to leave can do so. Nobody is forced to work in the company if it is not their wish.
- “Understand” instead of “justify”.

VISION

“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”.

- 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.

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 and 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 IN 29 COUNTRIES IN ASIA, OCEANIA, EUROPE, AFRICA AND AMERICA, INCLUDING AUSTRALIA, CAMBODIA, CHINA, HONG KONG, INDIA, MEXICO, SLOVAKIA, SPAIN, TAIWAN AND THE USA”.



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.



Finished leather FOR THE FOOTWEAR AND FURNITURE INDUSTRIES

We have a unique selection of finished leather products exclusively for the shoe upper 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.

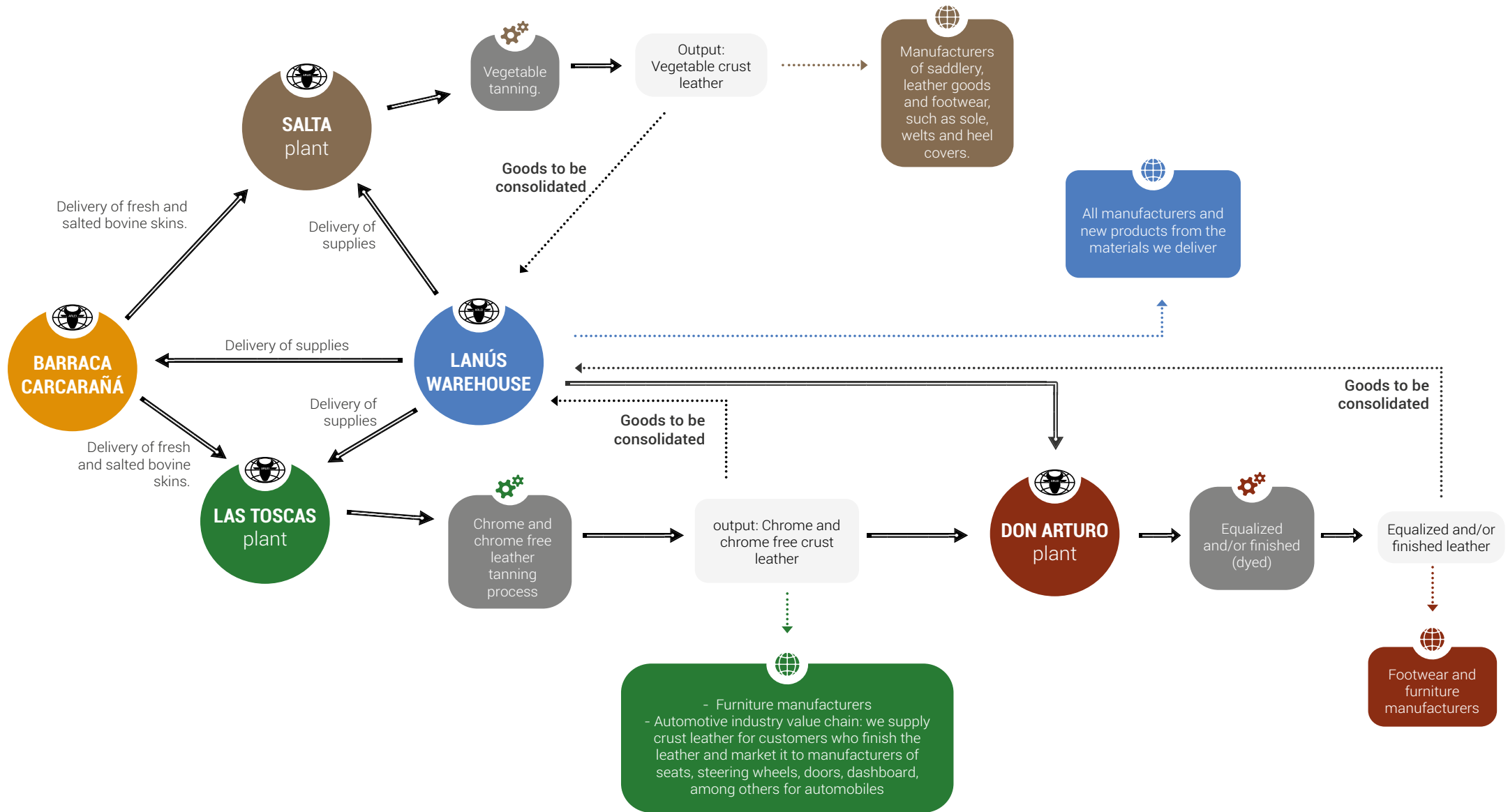


Main by-products (shavings, split leather, tallow and scraps)

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, the 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.

OUR PLANTS



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

Arlei's headquarters are located in the heart of Buenos Aires, where employees from the back office, exports, warehouse and logistics departments work and provide service to customers around the world.



LAS TOSCAS PLANT, LAS TOSCAS, SANTA FE

In this plant, we produce chrome and chrome free-tanned leather. More than a thousand people work, who use cutting edge technology so as to properly produce 200,000 hides per month. The leathers are processed under the strictest quality, safety and environmental standards, and are destined for the international markets of the automotive (crust), upholstery and footwear industries. Las Toscas property has a 13,200 m2 tannery effluent treatment plant, which was the first of its kind to be built next to a tannery in Las Toscas area.

DON ARTURO FINISHING PLANT, LAS TOSCAS, SANTA FE

Located a few kilometers away from our chrome tannery and with a production capacity of 80,000 finished hides per month, Don Arturo plant operates under the same quality, safety and environmental guidelines. Thus, we achieve highly competitive products capable of satisfying the demands of the footwear and furniture upholstery industries exclusively.





SALTA PLANT, ROSARIO DE LERMA, SALTA

This tannery produces vegetable leather. Counting with a workforce of approximately 200 employees, it has the capacity to process 1,500 hides per day, making an average of 45,000 units per month. So as to meet the demands of the belt, footwear and saddlery markets mainly, the plant produces bends for sole, heel covers and welts, as well as cut sole, bellies, shoulders, double butts, sides, culatta and dossets. The plant also has its own effluent treatment plant operating seven days a week in order to maintain sustainability standards.



LANÚS WAREHOUSE, EAST LANÚS, BUENOS AIRES

This warehouse is located in Lanús industrial park, where the employees receive the production that is ready to be consolidated in containers and then shipped to customers. They also receive materials, chemicals and other supplies to be distributed to the different production plants.

CARCARAÑÁ SHED, SANTA FE

The Carcarañá shed is located in the south of the province of Santa Fe, just 45 km away from Rosario, where more than 40 employees work. In this site, the process of receiving, washing, classifying and trimming fresh skins is carried out. The skins received that are within the parameters requested by production are transported to the different plants applying a solution for their preservation (bactericide + ice + cold water). The remaining skins are salted and stored, to later be sent to the corresponding production plant according to the order requirement.





02

GOVERNANCE,
ETHICS AND
INTEGRITY



ARLEI

STRUCTURE OF THE ORGANIZATION

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 administrative body in corporations is the Board of Directors, which is made up of the Chairman, Vice Chairman, Director and Alternate Director.

The daily operations of our company are in charge of two Executive Managements made up of Viviana Leiser, Chief Financial Officer (CFO) and Alan Eric Leiser, Chief Operations Officer (COO), who are shareholders and part of the founding family. They have been working at Arlei for more than 40 and 25 years, respectively.

These Executive Managements have 2 advisers, one on management issues and the other on human resources and legal issues. The actions are also complemented by a Steering Committee made up of 7 managers for the areas of Finance and Administration, Corporate Supply, Raw Material Supply, Corporate Sales, Chrome and Vegetable Commercial Management, Manufacturing and Logistics.

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.



COMMITTEES AND RESPONSIBILITIES



SUSTAINABILITY COMMITTEE

In 2019, after carrying out a self-diagnosis guided by specialists in order to identify Arlei's position regarding the international sustainable development standards, we created a Sustainability Committee that coordinates the actions of the entire organization in this area, and reports to the Chief Operations Officer.

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.



TECHNICAL COMMITTEE (LAS TOSCAS)

Following the declaration of the World Health Organization (WHO) on the Coronavirus pandemic, Argentina declared itself in a public health emergency for a period of one year. From this moment, and in compliance with the legal and technical regulations that were published, we created a technical team to address this issue, in order to manage all the organizational changes necessary to achieve business continuity without endangering the health and safety of employees and their families. The committee is still in force, and is made up of people from the areas of Human Resources, Legal Affairs, Health and Safety, and Medical Service. The actions that are designed within the committee are replicated in the rest of Arlei's production sites. The detail of each of such actions can be found in the Health and Safety section.



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



CONTROL AND COMMUNICATION MECHANISMS

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 Policy
- Sustainability Policy
- Restricted Substances 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

The management of complaints, claims and suggestions is documented within the Management System. As regards the communication channels with our stakeholders, we offer our social networks so that they can contact us, either with claims, concerns or suggestions. Likewise, the gates of our facilities are open so that people who live in surrounding areas have the opportunity to get in direct contact with the people who work at the company.

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 in which we establish guidelines and management mechanisms for cases in which any established rule is not observed.

The Code refers to the personal conditions to report to work every day, to maintain behaviors where the health and safety of the person and their colleagues are prioritized, and to encourage teams to always act in good faith, avoiding negligent attitudes, and being honest when work mistakes are made. The conditions for moments of rest and relaxation are also established, and the staff is invited to respect political and religious opinions, common spaces, and differences in terms of work management. In order to achieve the goals and have committed people, they are required to refrain from working for other establishments that represent competition for Arlei, as well as to maintain the confidentiality of the production processes and the company's own internal information.





03

SUSTAINABLE MANAGEMENT



ARLEI

In 2001, we certified for the first time our environmental management to the ISO 14001 standard, and thus we began to establish the basis for a sustainable management of our production processes, taking into account the implementation and/or certification of other environmental standards such as ISO 50001, or quality standards such as ISO 9001, 22716 and IATF 16949. 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 companies with higher environmental performance.

From our Sustainability Committee, we are managing a roadmap framed in our Sustainability Policy, which follows the guidelines of our Code of Conduct for Corporate Sustainability. In this working group, we also centralize the different actions regarding social investment and the identification of our stakeholders, among others.



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.



The practices of social responsibility, animal welfare, traceability, resource consumption and 5R are framed in the **Life Program**. Arlei's Sustainability Management System supports and provides all the dynamic elements that allow monitoring the evolution of the achievements related to each of the goals and objectives proposed for the progress of the **Life Program**.

BEST PRACTICES

ENVIRONMENT

For some years we have been working on initiatives that we manage through strategic alliances with internal and external stakeholders, which make it possible to carry out the projects and best practices that we have implemented:

Reduction of energy consumption

We achieved that 71.6% of the energy consumption of the Las Toscas and Salta plants comes from renewable sources. [See Energy section.](#)

Regeneration and biogas production

We are in the pre-feasibility stage of a project to obtain biogas from the anaerobic treatment of sludge generated in the effluent treatment plant, in such a way that we transform the waste from our production processes into energy sources. [See Energy section.](#)

Carbon footprint measurement

We are working on the implementation of the carbon footprint measurement system in order to seek strategies and alternatives to minimize the impact of our processes and the generation of greenhouse gases. [See Energy section.](#)

Water reuse

We are constantly seeking to reduce water consumption. We have projects that are in the testing stage, with positive results, that seek to use reclaimed and/or recirculated water. [See Water and effluents section.](#)

> We minimize water consumption with modifications in the liming of hides for hair recovery and closed washes within the same process.

> We modified the formulations of the soaking-unhairing and retanning stages and we are improving the formulas so that less and less water is consumed in these stages.

Effluent treatment plants (ETP)

We have an ETP that treats each effluent specifically and independently, depending on the type of pollutant. In this way, we ensure that the streams do not mix and we guarantee the optimal treatment of the water before it is discharged. [See Water and effluents section.](#)

Composting of liming

We separate 100% of the discarded hair and take it to the composting field where we turn it into soil compost, improving the quality of the original soil, and reducing odor generation. [See Waste section.](#)

Awareness programs

We carry out environmental inductions, sustainability awareness at all levels of the organization, publications in social networks, and guided visits to families and institutions to communicate our management. We have an alliance with the National Institute of Agricultural Technology (INTA for its acronym in Spanish) to provide training on responsible use of irrigation water with the community.

Biodiversity-related projects

We have a greenhouse for growing seedlings and ornamental plants and an agreement with INTA in which we reuse, after remediation, the old effluent treatment pools at Don Arturo for pacu fish farming. This second initiative provides training for those who are interested, and includes a project for the production of fry to be used on the premises and/or sold.

Reforestation projects

Las Toscas plant has an afforestation plan of 1,500 eucalyptus and casuarinas seedlings per year, and in Carcarañá we have already planted more than 200 pine plants and other species such as ash and crown thorn that absorb CO2 and generate a vegetation barrier that minimizes odors in the surroundings.



SOCIETY



Commitment to employees

We conduct organizational culture and work environment surveys. On two occasions, we were recognized as one of the Top 10 Best Workplaces (Great Place to Work) and in the Millennials category. In addition, we carry out many activities for the families and relatives of our employees, who are invited to participate in social actions and initiatives related to the community. [See Diversity and equal opportunity section.](#)

Community programs

We seek to contribute to the community where we develop, strengthening ties and establishing mutually beneficial relationships. [See Communities section.](#)

- We carry out initiatives with NGOs and organizations (homes, soup kitchens for children, firefighters, clubs and local institutions) to whom we donate books, t-shirts, wheelchairs, and monthly economic contributions.
- In our relations with public organizations (municipalities, emergency rooms and police stations), we offer them help through medical supplies and specific financial contributions.
- We support educational institutions (kindergartens and schools) to whom we donate notebook computers and materials of all kinds, and offer vocational guidance talks.
- During 2021, we delivered 30 rolls of 100 meters of hose for irrigation to micro-entrepreneurs from low-income vegetable gardens near the Las Toscas plant.
- We have two organic vegetable gardens, in one of which 80% is delivered to institutions that work with the elderly and children in the city of Carcarañá, and in the other, which is managed in Don Arturo, we produce food for the staff.

Recycled boards and playground equipment

We are working with private organizations to obtain plastic boards and posts from LDPE (low-density polyethylene) and HDPE (high-density polyethylene) for potential replacement of wood for carts or railings, and to obtain garden furniture, outdoor gym equipment and hoses for use in local cities. [See Communities section.](#)

Design of circular products

We donate the scraps to local craft workers who use them to sew backpacks that are donated to local schools. Limed trimmings are used in the food industry for sausages casings and gelatin, and wet blue split to make leather goods, handbags and footwear. [See Communities section.](#)

RESPONSIBLE PRODUCTION

Audits with suppliers

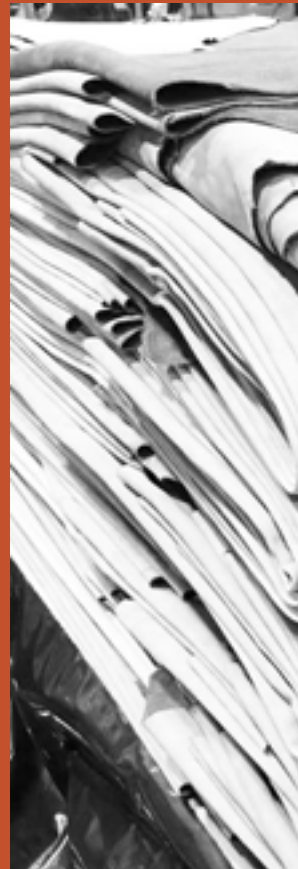
We systematically work with our raw hide suppliers to guarantee the care of the animals from birth to the animal's desensitization prior to slaughter. Through second-party audits, we verify the implementation of the Manual of Good Practices of the National Service for Agrifood Health and Quality of Argentina (SENASA for its acronym in Spanish), focusing on the sustainability of processes and animal welfare. Within this framework, we motivate our suppliers to achieve certifications from recognized organisms 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. [See Animal welfare and Traceability section.](#)

Traceability Program

We are working intensively with the slaughterhouses in order to achieve a complete and individual identification of the cattle. In this way, we improve our traceability system to assure customers that the materials do not come from deforested areas or from suppliers linked to illegal practices. [See Animal welfare and Traceability section.](#)

Certifications

As regards environmental matters, the Las Toscas plant complies with the ISO 14001 Environmental Management Standard in force for more than 20 years and has already obtained the 50001 Energy Management Standard certification, while the Salta plant is in the stage of implementing ISO 14001 and plans to implement 50001 in the coming years. In terms of quality, we comply with the ISO 90001, ISO 22716 and IATF 16949 certifications, and in terms of Sustainability we have been granted the GOLD level in the LWG certification. [See Integrated Management and Quality, and Environmental Management sections.](#)



Reduction of chemical consumption

We changed the method used in the unhairing stage for unhairing with enzymatic auxiliaries that helps us achieve several benefits since the consumption of chemicals, and especially sulfides, is significantly lower.

Water analysis

We periodically analyze the water obtained from the well, complying with the requirements of the government agency SENASA. The samples are taken at the wellhead, plant deposit and other access openings, in order to have a more complete map of the state of the plant at different points. [See Water and effluents section.](#)

Reuse of materials and tools

We deal with the surplus and waste of our production from a circular perspective, either by adding value within our facilities or in alliances with third parties. [See Waste section.](#)

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.

SUSTAINABLE DEVELOPMENT GOALS

2025

- Consolidate ourselves as a carbon neutral company in scope 2 (imported electricity) by 2025 and in the long term continue with the challenge in order to extend neutrality to scopes 1 and 3.

2023

- Consume 100% of purchased renewable energy in 2023.

2022

- Carry out a project or research to recover rainwater for different uses during 2022.
- Install a water recovery plant in Don Arturo in 2022, to apply coagulants and flocculants and then clarify the water in a settler, with the intention of reusing it in the gas treatment systems that the painting machines have.
- Recertify LWG gold level at the Salta, Don Arturo and Las Toscas plants in 2022.
- Define the feasibility of the biogas regeneration and production project in 2022.

SHORT AND MEDIUM-TERM PROJECTS

We have strategic Sustainability goals that we plan to achieve between 2022 and 2025

2021

- In 2021, we achieved the goal of preparing our first sustainability report. From 2022 onwards, we are going to expand its content based on the GRI Standards, and also carry out our first materiality analysis. The intention is to expand and evolve in terms of data and content quality over the years.
- Ensure alignment and compliance with Arlei's social responsibility and sustainability standards by suppliers, by strengthening communications and sending information at least once a year (including policies, manuals and commitment letters to be signed by 100% of the suppliers).
- Be recognized and distinguished by a responsible and sustainable management that allows us to strengthen lasting business relations overtime and increase sales through performance evidence and proactive communication. For this, we will send 100% of the customers and other stakeholders the first sustainability report, embodied in this document.

2022

- Keep our website up to date and send news on a quarterly basis so that all stakeholders are aware of our sustainable actions.
- Audit SMETA Social Accountability in 2022.

RESPONSIBLE PRODUCTION

2022

- Update and implement, if necessary, the sustainability and ethics policies, and develop the ethics, transparency and anti-corruption procedure by 2022.
- During 2021, we formed alliances with schools, health agencies and others. From 2022 onwards, we seek to maintain these links with the community and strengthen them through new alliances with different institutions and organizations.
- Encourage a culture of social responsibility and sustainability with employees and their families through awareness, training 100% of employees by 2022.
- During 2022, implement at the Salta plant the mechanism for acknowledgments and awards for the absence of accidents that is currently carried out at Las Toscas.

STAKEHOLDERS

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. Thanks to the support of the Argentine Institute of Corporate Social Responsibility and Sustainability (IARSE for its acronym in Spanish), we identified these stakeholders and our commitments in order to maintain lasting relationships. Currently, our communication channels are emails, WhatsApp, social networks, telephone, and, in cases where face-to-face communication is possible, we also rely on it.

COMMITMENTS



EMPLOYEES AND FAMILIES

Foster a culture of social responsibility and sustainability with employees and their families through awareness, training, participation and communication, and implementation of policies, initiatives and good practices.



SHAREHOLDERS

The Leiser family is the main shareholder of the company. Its members seek to promote and demonstrate responsible and sustainable performance to make known the results achieved.



NEARBY COMMUNITY

Strengthen the link with the community surrounding the operating sites, and be recognized for responsible management that promotes sustainable local and regional development, improving their quality of life.



CRITICAL AND NON-CRITICAL SUPPLIERS

Ensure alignment and compliance with Arlei's CSR and sustainability standards by suppliers, and be recognized as a committed actor in the management and fostering of these issues.



CUSTOMERS

In addition to offering high-quality products that meet their needs and expectations, we seek to be recognized for sustainable management that strengthens business relations over time and increases sales through good performance and proactive communication.

NATIONAL, PROVINCIAL AND LOCAL GOVERNMENTS

Support and foster a culture of social responsibility and sustainability. We do this by raising awareness and together with the support of specific projects and initiatives of mutual interest.

FUTURE GENERATIONS (ENVIRONMENT)

Consolidate a responsible and sustainable management aimed at minimizing the environmental impacts of Arlei, as well as strengthening its credibility through reliable communication.

MEDIA

Strengthen the positive image of the company based on responsible and sustainable performance through the dissemination of accurate, truthful and reliable information with cultural value.

UNIONS

Deepen ties and strengthen collaboration and commitment to foster a culture of social responsibility and sustainability through awareness, training and joint initiatives and actions.

BUSINESS CHAMBERS

Be recognized and distinguished by leadership in responsible and sustainable management that allows strengthening participation and improving the context conditions for business performance through joint initiatives.



MATERIAL TOPICS OF THIS REPORT

The topics published in this report were defined within the framework of the 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 issues that are particularly relevant within each industry, in our case: the tannery industry. In this way, from Arlei we managed to prepare a GRI-referenced Report, with the following material topics:

BUSINESS MANAGEMENT

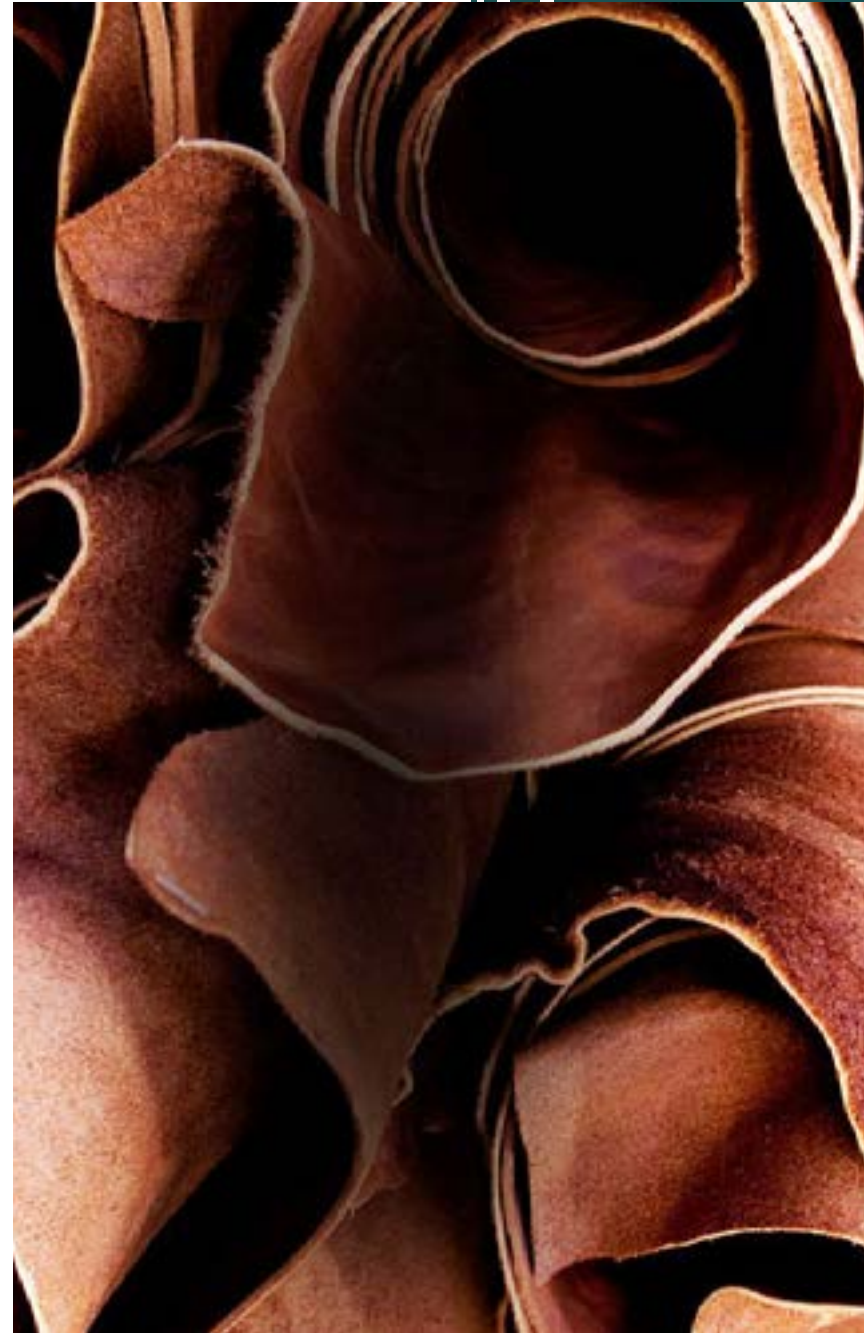
Procurement practices.

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.

SOCIAL MANAGEMENT

Occupational health and safety, diversity and equal opportunity, local community relations.





04

BUSINESS MANAGEMENT



ARLEI



GRI Disclosures 102-7, 102-9, 103-1, 103-2, 103-3, 204-1

OUR LEADERSHIP IN THE MARKET IS NOTORIOUS: **MORE THAN 25% OF THE BOVINE LEATHER** IN THE COUNTRY IS PROCESSED IN OUR TANNERIES, WITH AN AVERAGE OF **10,000 HIDES** PROCESSED PER DAY.

DURING 2021, APPROXIMATELY **63 MILLION** SQ. FT. OF HIDES WERE SOLD, REPRESENTING **1,491,000 EQUIVALENT HIDES**. SAID TOTAL IS AN ESTIMATED VALUE, SINCE IT ADDS THE WHOLE HIDES FROM LAS TOSCAS AND THE HALF HIDES FROM SALTA.

IN THE CASE OF BY-PRODUCTS, THIS YEAR WE SOLD ALMOST **32,000 TONS**, WHICH REFLECTS AN INCREASE OF **30%** COMPARED TO THE PREVIOUS YEAR AND REPRESENTS 13% OF THE ANNUAL TURNOVER FOR 2021.

INTEGRATED MANAGEMENT AND QUALITY

At Arlei, we are committed to supplying products in safe and competitive conditions, which fully satisfy the expectations and needs of our customers. 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.

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.

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 any person who works under the control of Arlei, including suppliers, can make comments and suggestions with the aim of improving 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.

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 the award for the implementation of the ideas, monthly and annual prizes are awarded among the participants to encourage participation in the system.

AT ARLEI, WE LISTEN TO AND VALUE THE PROPOSALS OF THE PEOPLE WHO KNOW THE MOST ABOUT THE SUBJECT, AND WE ESTABLISH THE SYSTEM OF IDEAS FOR IMPROVEMENT AS A COMMUNICATION, MOTIVATION AND IMPROVEMENT TOOL.



RESTRICTED SUBSTANCES

To achieve the continuity and profitability of our business, we comply with national legal requirements and those of the countries in which we sell our products.

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 have limitations or prohibitions, due to associated negative impacts on people or the environment.

At Arlei, we ensure that all the products designed and produced by the organization meet the necessary requirements, in accordance with national and international regulations, according to the destination markets of the final product and the requirements of our customers.



PROCUREMENT PRACTICES

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".

The offices of the Raw Material area are located in the Arlei facilities, in the City of Buenos Aires, and all purchasing operations, reception control, payment authorizations, logistics-operational organization, and supply planning are carried out there.

The Logistics operation, on the other hand, is conducted from the City of Buenos Aires and Lanús, and is operated from the production plants and warehouses as well as from the locations of suppliers and customers. Delivery deadlines are met with both internal and external customers (compliance with the IATF standard).

WE ENSURE THE CORRECT RAW MATERIAL TRANSPORTATION SERVICE IN ORDER TO MAINTAIN THE QUALITY OF THE SKINS AND RAPID ACCESS TO THE PRODUCTION CHAIN.

When it comes to diagramming the logistics of materials, we take into account the times that can sometimes be affected by occasional transport strikes or road closure at the local, provincial, or national level, which can potentially affect some delivery time.



As regards the purchase of supplies and the contracting of centralized services in the Supply area, we seek to maintain the same approach as the other sub-areas, with a long-term view, within our entire supply chain. To achieve this, we are continually communicated with suppliers and we also carry out periodic evaluations that allow us to increase loyalty and continuously improve our business relations.

THE SUPPLY AND QUALITY AREAS, AND THE TECHNICAL DEPARTMENT WORK TOGETHER IN THE IMPLEMENTATION OF THE "DEVELOPMENT OF SUPPLIERS" PLAN, BASED ON STRATEGIC DECISIONS, AND WHICH AIMS TO ACHIEVE A SUPPLY CHAIN ORIENTED TOWARDS THE SUSTAINABILITY OF BOTH ORGANIZATIONS.

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, it carries out the "Development of Suppliers" project, which has the purpose of establishing methodologies and responsibilities to continuously improve the capabilities of our suppliers and to strengthen the maturity of their companies.



AWARE OF OUR LEADING ROLE WITH THE SUPPLIERS OF OUR COMMUNITY, THE SUPPLIES AND SERVICES SUPPLY AREA ALLOCATES 30% OF THE VALUE OF ITS NATIONAL PURCHASES TO COOPERATIVES, SMES AND MICRO-SMES LOCATED IN CITIES NEAR OUR PRODUCTION PLANTS. THIS CONTRIBUTES TO THEIR GROWTH AND ENCOURAGES THEIR INVOLVEMENT IN PROJECTS CARRIED OUT BY THE COMPANY.

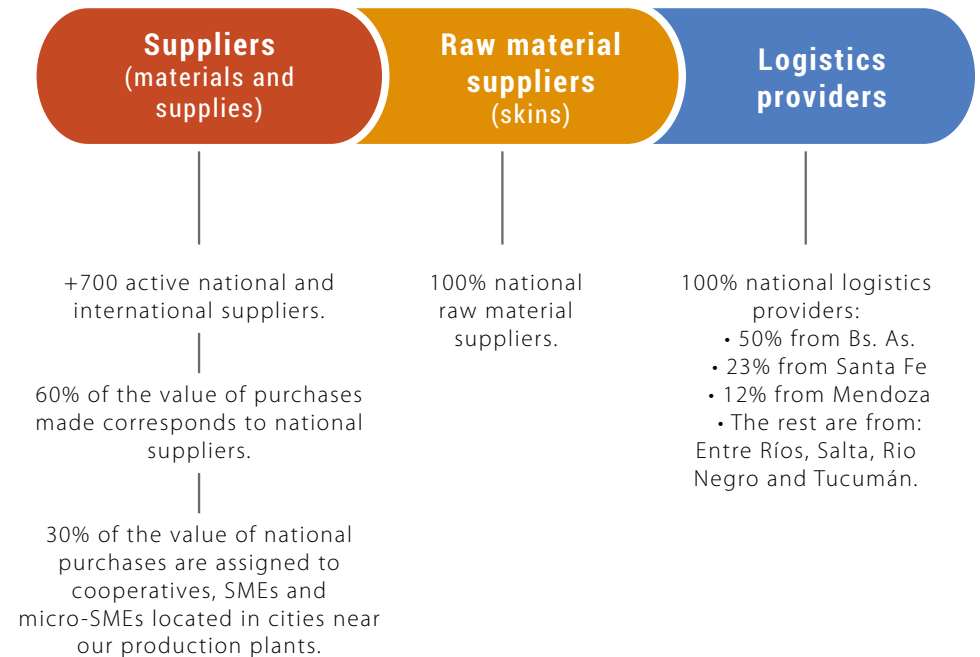
Arlei's value chain is focused on meeting customer requirements effectively and efficiently. Thus, we intend to obtain better prices, meet payment deadlines and delivery conditions, negotiate recoveries, and keep the plants supplied regarding their different needs, among others. A significant percentage 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 suppliers of raw materials, we carry out assessments taking into account the animal welfare and the control of the origin of the cattle, where we ensure that they do not come from deforested or unprotected areas, and the traceability of the value chain.

PROPORTION OF SPENDING ON LOCAL SUPPLIERS OF PRODUCTS AND SERVICES

	2021	2020	2019
Local ¹	54%	63%	64%
National	24%	8%	16%
Foreign	22%	29%	22%

¹"Local" refers to purchases and contracts made in Santa Fe, Salta, Buenos Aires and Chaco.





05

ENVIRONMENTAL MANAGEMENT



ARLEI

As stated in our Integrated Management Policy, at Arlei we ensure that we comply with the best practices in the manufacture of products, taking into account the type of industry and the environmental and safety impacts, in order to prevent environmental pollution and guarantee the quality of our products.

Our management is framed in reference models such as ISO 9001, 14001, 26000, 50001 and IATF 16949 standards, and in tools such as the PDCA cycle and internal dashboards.

The Las Toscas plant is the most active facility. Since 2001, it has been certified to ISO 14001: Environmental Management System standard and since 2020, to ISO 50001: Energy Management System standard. For its part, the Salta plant has implemented ISO 14001 and recently began the process of implementing ISO 50001. In the cases of Don Arturo and the Lanús warehouse, the principles of ISO 14001 are being implemented, and it is planned that over the next few years we will be able to consolidate the processes to obtain said certifications.

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, facilities 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 the significance of each one. 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.

With the aim of always being at the forefront of environmental care, the Salta and Las Toscas plants obtained a Gold Medal in 2019 in the Leather Working Group (LWG) audit, an international organization responsible for environmental certifications for the leather manufacturing industry. We also have Sustainability and Restricted Substances Policies, in addition to the Health and Safety Manual, among others.



ENERGY

GRI Disclosures 103-1, 103-2, 103-3, 302-1, 302-3

Within Arlei, 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.

As part of our energy efficiency management, at Las Toscas Plant we carried out an inventory of energy consumption where approximately 350 items were recorded, which refer to electricity, biomass and diesel consumption. In this inventory, a wide range of consumption is recorded that goes from 10% of the total energy consumed to magnitudes that represent less than 0.01%, reaching an optimal level of detail within the control and measurement process.

Said inventory helped us to clearly identify that the most significant consumptions come from the electric energy necessary for the biological oxidation process in the liquid effluent treatment plant, compressed air generation, and the energy losses in the steam generation in the boilers. The intention is to expand the inventory to more productive sites since this management process allows us to analyze more specific actions and, in turn, set short and long-term goals.

ENERGY CONSUMPTION WITHIN THE ORGANIZATION

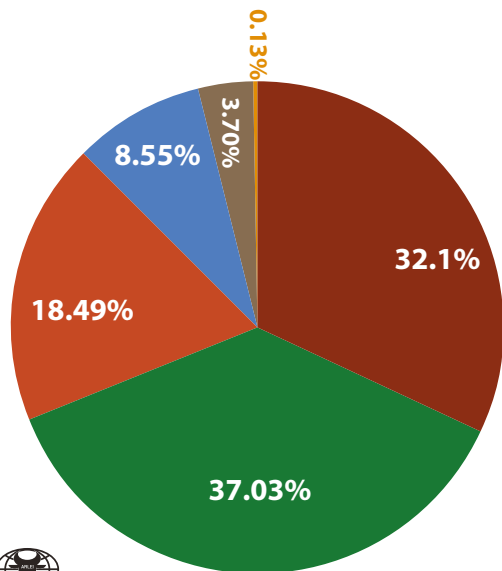
ENERGY CONSUMPTION BY WORKPLACE

	UNIT	2021	2020	2019
LAS TOSCAS	MJ	139,980,481	109,966,635	141,902,724
SALTA	MJ	24,801,568	18,298,886	23,262,384
DON ARTURO	MJ	5,951,787	4,742,702 *	548,621
LANÚS WAREHOUSE	MJ	1,401,011	1,219,044	1,500,381
CARCARAÑÁ SHED	MJ	1,662,420	1,512,929	2,179,977
MAIPÚ OFFICES	MJ	216,000	246,600	286,200
TOTAL CONSUMPTION	MJ	174,013,266	135,986,796	169,680,287

* In 2019, the Don Arturo facilities were practically out of service. From 2020 onwards, new production processes began, energy consumption of diesel oil, liquefied gas, electricity and steam was recorded.

ENERGY CONSUMPTION BY SOURCE

	UNIT	2021	2020	2019
RENEWABLE		120,294,252	91,689,516	107,606,232
RENEWABLE ELECTRICITY	MJ	55,857,600	39,711,600	35,751,600
BIOMASS	MJ	64,436,652	51,977,916	71,854,632
NON-RENEWABLE		53,719,014	44,297,280	62,074,055
NON-RENEWABLE ELECTRICITY	MJ	32,173,200	28,024,200	41,070,600
NATURAL GAS	MJ	14,873,972	11,083,910	13,775,651
DIESEL OIL	MJ	6,440,869	4,985,006	6,934,963
BOTTLED/ LIQUEFIED GAS	MJ	230,973	204,164	292,841
TOTAL CONSUMPTION	MJ	174,013,266	135,986,796	169,680,287



RENEWABLE- 2021

- 37.03% Biomass
- 32.1% Renewable electricity

NON-RENEWABLE - 2021

- 18.49% Non-renewable electricity
- 8.55% Natural gas
- 3.70% Diesel oil
- 0.13% Bottled/liquefied gas

ANNUAL ENERGY INTENSITY

	2021	2020	2019
Total energy consumption (MJ)	174,013,266	135,986,796	169,680,287
Annual production (sq. ft.)	104,591,086	69,090,036	83,911,837
Energy intensity (MJ consumed/ sq. ft. produced)	1.66	1.97	2.02

RENEWABLE ENERGY

We understand that renewable energies are the path towards conscious energy consumption with less environmental impact and, for this reason, we rely on purchase contracts for 80% of renewable electricity with two suppliers, and on the innovation of new technologies or internal processes such as our biogas project.

In the case of electricity consumption, we decided to purchase wind energy from two suppliers that provide service to the Las Toscas and Salta plants and provide 80% of the renewable energy. Currently, we consume 63%, far exceeding what is required by Law 27191: Legal Regulations on National Promotion for Use of Sources of Renewable Energy (minimum consumption of 16% during 2021-2022, and 20% from 2025 onwards). For next year, we believe that we will consume 100% of the purchased energy.

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

At Las Toscas plant, we have a biogas production project, which is based on the anaerobic fermentation of sludge from the liquid effluent treatment plant. The project began with a stage at laboratory scale to determine the feasibility and quality of the gas with the aforementioned raw material. Then it went to pilot scale, which included an agreement with the National University of Litoral through which we have a reactor adapted to that scale. The completion of this first stage allowed us to verify the necessary data to design the project on an industrial scale. In the short term, we plan to have a main reactor and a cleaning and conditioning system for biogas. Our goal is to use this biofuel to generate electricity, which would be intended to supply the consumption of the liquid effluent treatment plant of said plant.



EMISSIONS AND CARBON FOOTPRINT

During 2021, we worked on the development of an inventory of greenhouse gas emissions in accordance with ISO 14064-1, to begin the calculation of our carbon footprint. Through the inventory of equivalent CO₂ sources and the quantification of greenhouse gas (GHG) emissions, we can identify, plan and implement initiatives to mitigate these emissions, helping to combat global warming.

According to the preliminary inventory limits established for this first calculation, the value obtained was encouraging. The plan is to continue working on accounting for all of our emissions from the different sites, in order to achieve greater transparency on the impact of the carbon footprint of our entire production process.

The goal set for 2025 is to consolidate ourselves as a carbon neutral company in terms of scope 2 associated with the purchase of electricity, and in the long term, continue with the challenge of achieving neutrality regarding scopes 1 and 3.

WATER AND EFFLUENTS

GRI Disclosures 103-1, 103-2, 103-3, 303-1, 303-2, 303-3, 303-4, 303-5

At Arlei, 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 m³/leather based on ISO Standards.

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.



WATER WITHDRAWAL, DISCHARGE AND CONSUMPTION

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.


CARCARAÑÁ SHED

SUPPLY
It is supplied by a drilling that exploits the Carcarañá aquifer. The pumping field of Arlei does not affect the pumping field of the Drinking Water Cooperative (COOPERANA for its acronym in Spanish), due to the distance between them and the low withdrawal flow that it carries out.

PROCESSES INVOLVED WITH WATER CONSUMPTION

- Hide washing, making of industrial ice*, plant cleaning and staff restrooms.
- The water necessary for staff consumption is supplied as mineralized water in drums.
- * The ice produced by Arlei is exclusively for the protection and conservation of hides.

EFFLUENT MANAGEMENT
The Carcarañá plant has an easement agreement for the discharge of its effluents. After the decantation process, the effluents are discharged into anaerobic lagoons belonging to a third party, who performs the monitoring. In addition, we carry out a bimonthly control through samples at the effluent outlet of the settling basin.


SALTA Plant

SUPPLY
The water supply comes from 2 own pumping wells located within the production plant and on the property in front of the effluent treatment plant.

PROCESSES INVOLVED WITH WATER CONSUMPTION

- Unhairing, deliming, tanning, bleaching, and cleaning, among others.
- The water necessary for restrooms and personal use is supplied in drinking quality by Aguas de Salta.

EFFLUENT MANAGEMENT
The Salta plant has an effluent treatment plant designed to have a treatment capacity of 700 m3 per day.


LANÚS WAREHOUSE

SUPPLY
Lanús does not carry out any exploitation of groundwater or soil modifications, given that its floors are entirely made of concrete. The water is provided by Aysa S.A. Public Network.

PROCESSES INVOLVED WITH WATER CONSUMPTION

- As it is a warehouse, there are no production processes. The water consumed is used for industrial and human use.

EFFLUENT MANAGEMENT
Currently, this site does not generate effluents derived from any production. If there is eventually any liquid waste from maintenance tasks with industrial or special characteristics, it is sent for incineration at an authorized waste operator. In the case of sewage waste, it is done directly through the sewer service after passing through aseptic chambers.


LAS TOSCAS Plant

SUPPLY
It is supplied by five drillings that exploit the Puelche and Paraná aquifer, distributed in different areas within the plant itself. Despite being close to the Las Toscas Public Services Cooperative (CODESELT), given the distance and the proportion of water that Arlei takes, they do not affect each other.

PROCESSES INVOLVED WITH WATER CONSUMPTION

- Unhairing, tanning, retanning, and cleaning.
- The water for restrooms and personal uses is supplied in drinking quality by CODESELT.

EFFLUENT MANAGEMENT
Las Toscas has an effluent plant and 4 sub-plants for different types of treatment. It also has the authorization to discharge liquid effluents under Resolution 138/2012 of the Ministry of Water and Public Services and the Environment. The control of liquid waste discharge is verified on a daily, weekly and monthly basis as appropriate.


DON ARTURO Plant

SUPPLY
Due to its proximity to Las Toscas, it is supplied with water from two drillings that exploit the Puelche and Paraná aquifer, distributed in different areas of the plant.

PROCESSES INVOLVED WITH WATER CONSUMPTION

- Equalizing, painting and finishing of leathers, filtration of solids from paint booths, paint preparation, machine washing, and cleaning
- The water for restrooms and personal uses is supplied in drinking quality by CODESELT.

EFFLUENT MANAGEMENT
The effluents are transported in a tanker from the Don Arturo plant to the Las Toscas plant, where they are incorporated into the effluent and the treatment is carried out. The control of liquid waste discharge is verified daily, weekly and monthly according to what is established in the management system.

WATER CONSUMPTION

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



¹ Measurements are taken directly with flowmeters located at the outlet of the water well.
² The Salta plant withdraws a percentage of water from sources with water stress.
³ Substances present in discharges: BOD, COD, Sulfides, Chlorides, Ph and Temperature, among others.

FRESHWATER WITHDRAWAL BY SOURCE (ML) ¹

	2021	2020	2019
GROUNDWATER	1,070	743	940
THIRD-PARTY WATER	6	7	6
GROUNDWATER IN AREAS WITH WATER STRESS ²	139	107	149
TOTAL WATER WITHDRAWAL	1,216	856	1,094

FRESH WATER DISCHARGE BY DESTINATION (ML)³

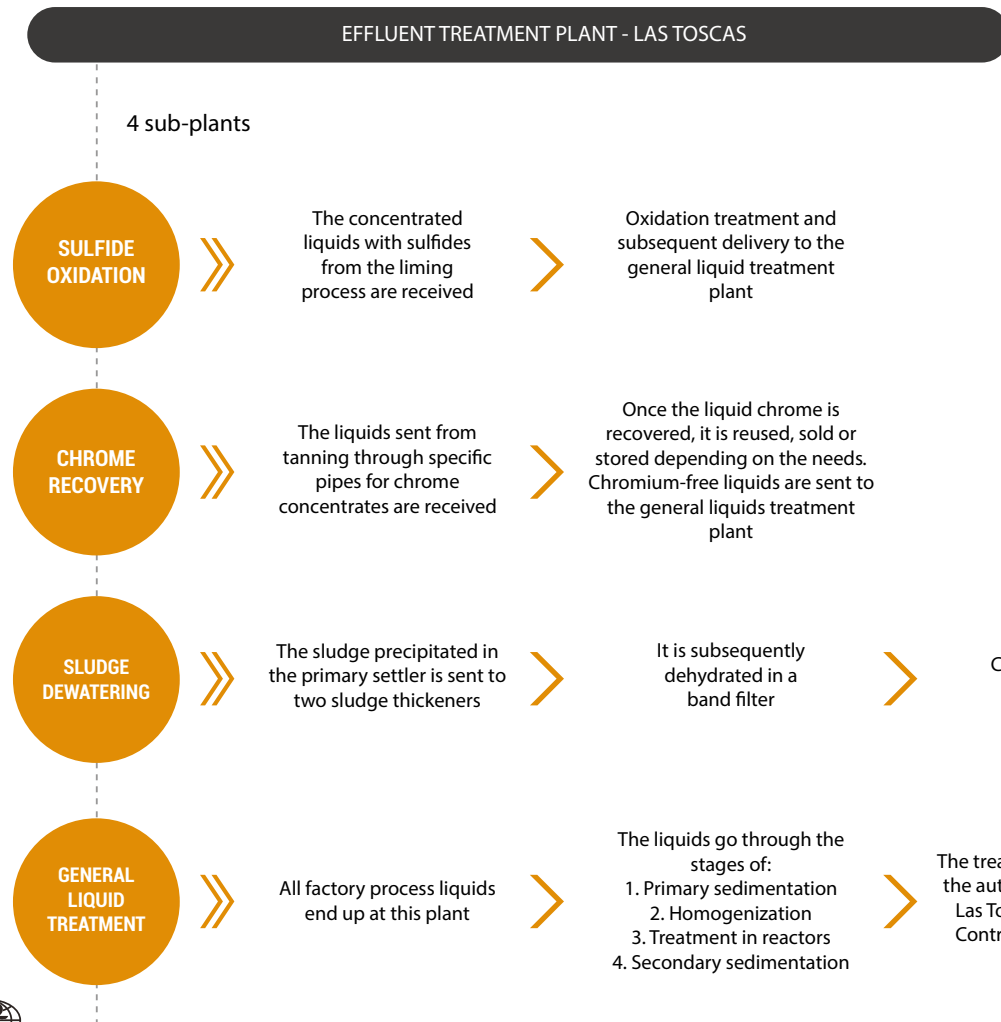
	2021	2020	2019
SURFACE WATER	1,011	702	880
SURFACE WATER IN AREAS WITH WATER STRESS	126	98	138
TOTAL WATER DISCHARGE	1,137	800	1,018

	2021	2020	2019
WATER CONSUMED	79	56	76

EFFLUENT TREATMENT PLANTS

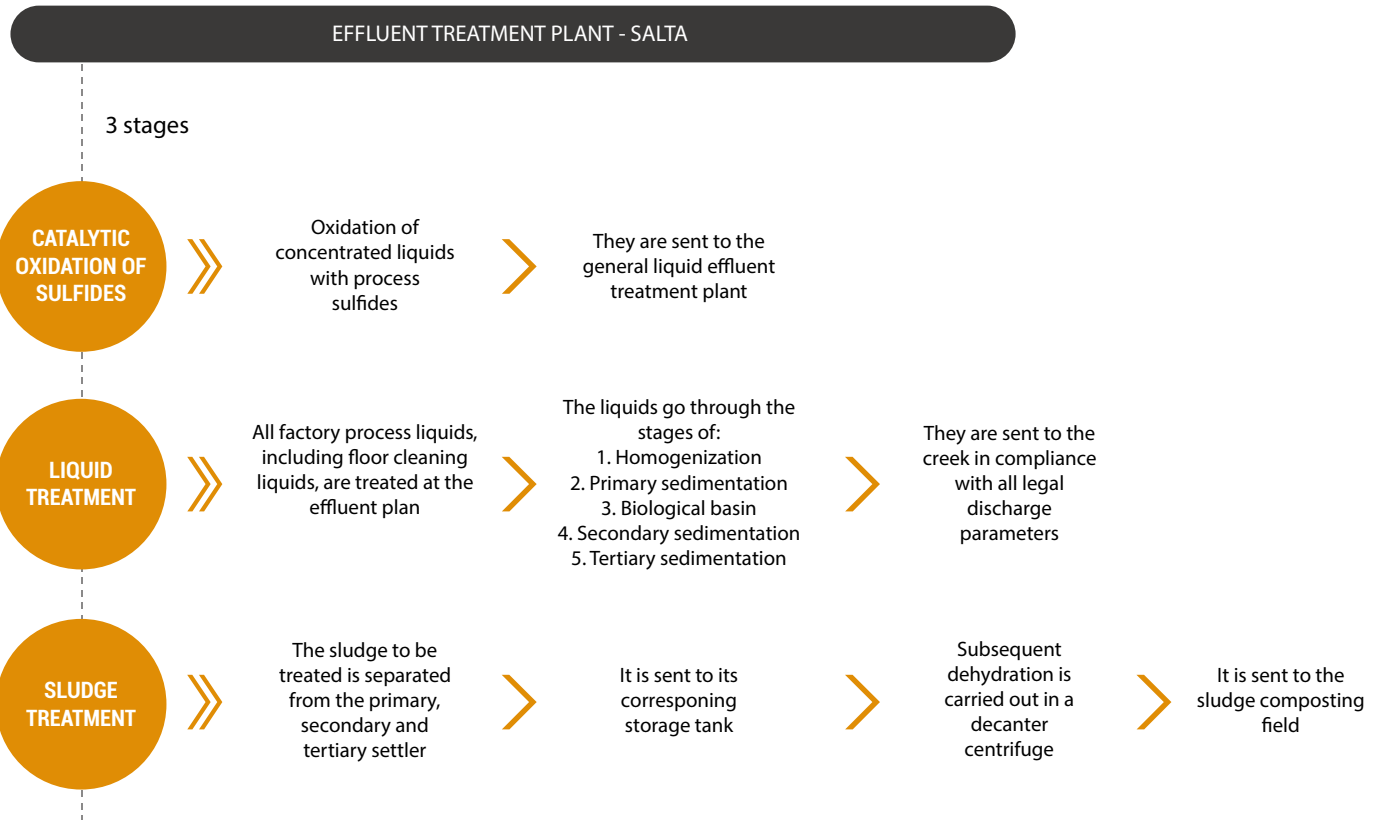
In order to comply with the discharge parameters, we have Effluent Treatment Plants (ETP) in our two production plants with the highest production.

The Las Toscas ETP has about 30,000 m² with a treatment capacity of 6,000 m³ 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:



EFFLUENT TREATMENT PLANTS

The Salta ETP is designed to have a treatment capacity of 700 m3 per day, and has the following treatment stages:



WASTE

GRI Disclosures 103-1, 103-2, 103-3, 306-1, 306-2, 306-3, 306-4, 306-5

We believe that waste management is a priority both for the commitment to the environment and for compliance with legal requirements. We have documented procedures and instructions to comply with the correct management of our waste, together with goals and objectives for each case.

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 also informs 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 (CWL), while for the Las Toscas Plant and for Don Arturo, we have our own 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, for the operation of Controlled Waste Landfill (CWL).

PROCESSES FOR WASTE MANAGEMENT AND CIRCULARITY

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 them circularity, and transform 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 Organization 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 bonded 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 unhairing process, the scraps are sold to companies in the food industry, mainly

DANGEROUS WASTE

Waste categorized as special or hazardous according to current legislation, such as those impregnated with oils and fats, impregnated with solvents and paints, batteries, and others, are sent for treatment to Hazardous Waste Operators with their corresponding manifests and certificates of destruction.

The pathological waste generated in the Plant Medical Service is treated and managed according to current legislation with its manifests and corresponding certificates of destruction.



WASTE GENERATED ACCORDING TO TYPE OF TREATMENT

Waste generated	Unit	2021	2020	2019
RECYCLED OR REUSED				
HAIR	t	3,629	2,537	2,669
NYLON	t	59	19	67
HARD PLASTICS	t	8	5	5
CARDBOARD	t	10	7	11
SCRAP	t	73	68	164
RAFFIA ¹	t	0.38	0	3.48
SOLD				
SALTED HAIRY LEATHER SCRAPS	t	592	429	1,156
BINS ²	Unidades	804	773	862
CONTAINERS ²	Unidades	3,624	2,316	3,344
TREATED IN EFFLUENT PLANT AND CWL				
TANNED SCRAP	t	653	328	324
ASSIMILABLE	t	1,717	931	847
SLUDGE	t	12,573	7,148	11,468
FATS	t	2,470	1,854	1,702
CHIPPINGS	t	2,644	1,597	2,806
SALT	t	210	207	833
SHAVINGS TO CWL ³	t	0	121	167
DEGRAINED DUST	t	169	64	76
TRATADOS POR OPERADOR EXTERNO				
OILS ²	l	3,800	850	4,400
PAINTS, BATTERIES, IMPREGNATED WITH FATS AND OILS	t	12	1	7
TOTAL WASTE GENERATED (T)	t	55,461	36,003	49,350

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

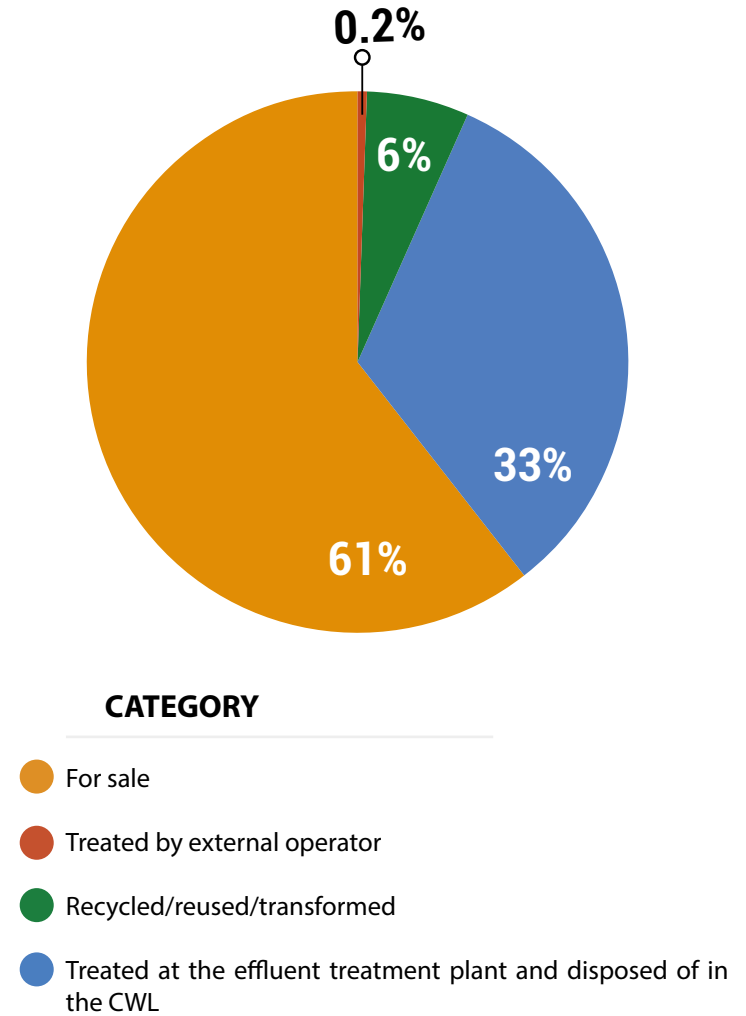
² In the total waste, oils (l), and bins and containers (units) are not considered.

³ In 2021, all chip was sold. Nothing was used for controlled waste landfill.

BY-PRODUCT GENERATED

Generated by-products: discards and surpluses that would normally represent a waste, to which value is added and converted into raw materials for other processes

		Unit	2021	2020	2019
SOLD	Tallow	T	2,342	1,933	3,145
	Scraps for jelly	T	23,418	15,310	19,074
	Total shavings	T	4,883	3,445	4,825
	Split leather	T	6,602	3,903	6,183
	Total	T	37,245	24,591	33,227



ANIMAL WELFARE AND TRACEABILITY

Since bovine skins are our main raw material, we implement an Animal Welfare Policy, because we understand that it is an essential component to achieve a sustainable manufacturing process. The circular economy and the living conditions of cows and steers are key to the good quality of our products. While 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 company value chain, including transportation to the slaughterhouse.

The purpose of this management is to achieve compliance 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 problems.

Our goal is to spread our values and increase the level of awareness regarding the importance of addressing these issues, providing simple and practical information,

by sending the related available documentation, and carrying out second-party audits of our most significant suppliers: meat processing plants.

The audits conducted are based on our Integrated Management and Animal Welfare Policies, and include the control of variables not only of welfare but also of traceability, sustainability and environmental management, among others. In this way, we verify the degree of compliance with them, we 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. THIS PLACES US AT THE TOP OF THE ARGENTINE RANKING OF LEATHER MANUFACTURERS TO OBTAIN THIS ENDORSEMENT.



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 in which the actions proposed by our company are detailed. The effectiveness of the alliances we make with our suppliers is appreciated in the trend that is increasing year after year.

Animal welfare control metrics (AW)	2021	2020	2019
TRACEABILITY			
% of suppliers that document traceability ¹	100%	100%	47%
CERTIFICATION			
% of suppliers with AW CERTIFICATE	35%	7%	7%
% of suppliers with AW implemented	45% ²	64%	33%
% of suppliers with AW not implemented	20%	21%	33%
% of suppliers without information	0%	7%	27%
	100%	100%	100%
% suppliers that implement and certify AW	80%	71%	40%
AUDITS			
Audit plan compliance	94%	0% ³	64%
AW audit average score	88%	(*)	91%

¹ Applies only to suppliers of fresh skins.

² The decrease in suppliers with AW implemented is due to the high increase in suppliers with AW CERTIFICATE.

³ During the pandemic audits were suspended.



WE HAVE BEEN WORKING SYSTEMATICALLY SINCE 2018 TO GUARANTEE BETTER RESULTS YEAR AFTER YEAR. IN 2021, WE ACHIEVED A PERFORMANCE OF 88% 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 FROM SUPPLIERS LINKED TO ILLEGAL PRACTICES.



06

SOCIAL MANAGEMENT



ARLEI

We believe that having a comprehensive human resource management is one of the essential components for the success of our organization, which is why we work to align it with the Business Plan and the company's Quality and Environment Management System. We understand that 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.

DIVERSITY AND EQUAL OPPORTUNITY

GRI Disclosures 103-1, 103-2, 103-3, 102-8, 405-1

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.

WORKFORCE PROFILE

	2021	2020	2019
BY GENDER			
Women	65	63	66
Men	1,326	1,258	1,292
BY AGE			
Younger than 30 years old	194	108	237
Between 30 and 50 years old	964	909	927
Over 50 years old	233	204	194
BY CONTRACT TYPE			
Temporary	166	117	136
Permanent	1,225	1,204	1,222
TOTAL	1,391	1,321	1,358

DISTRIBUTION BY EMPLOYMENT CATEGORY 2021

	Women	Men	< 30 years old	Between 30 and 50 years old	> 50 years old
Operators	24	1,106	183	777	170
Analysts and assistants	824	89	8	89	20
Supervisors and heads	2	57	0	47	12
Chiefs	9	45	3	35	16
Coordinators	1	19	0	13	7
Directors and managers	1	10	0	3	8
TOTAL	65	1,326	194	964	233

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 OF THE WORKFORCE BY PRODUCTION PLANT

	2021		2020		2019	
	Temporary	Permanent	Temporary	Permanent	Temporary	Permanent
Las Toscas + Don Arturo	140	947	100	928	119	941
Salta	16	166	17	158	17	159
Lanús + CABA offices	0	75	0	77	0	78
Carcarañá	10	37	0	41	0	44
Subtotal	166	1,225	117	1,204	136	1,222
TOTAL	1,391	1,321	1,321	1,358	1,358	1,358

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.

In addition, we have mechanisms in place through which employees can report harassing conduct or situations related to any lack of respect that occurs within our facilities. These can be channeled directly or anonymously to the Human Resources area, the reception of our plants or to the person they consider appropriate (union representatives and/or supervisors).

The tools on which the Human Resources and Institutional Relations teams rely are the following:

Wellbeing and open doors Policy

This policy 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 all members and their families. Some of the projects fostered here are:

- Family Support Program to provide support in difficult circumstances;
- Open Doors Initiative, where anyone who has doubts or social or environmental concerns can tour the facilities;
- Guided tours for students, relatives, neighbors, institutions, etc.
- Work internships, talks and presentations, and active representation in events;
- Promotion of community relations, allocating economic and human resources to improve the quality of life of those who need it most and strengthen ties with society.

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, as well as providing a safe and healthy work environment, equal opportunity on a constant basis, increasing the level of knowledge and personal development, promoting the strengthening of attitudes of self-improvement and contribution of ideas, among others. This policy also includes the approach to labor and union relations, and the 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. Among others, it raises:

- Equal treatment, with respect and dignity, towards all employees of the organization, and freedom to exercise their rights of collective unions.
- Compliance with the minimum age and with the legal framework of ethics and integrity in accordance with the law.
- Fair salary, benefits according to activities, responsibilities and conditions of the domestic and national markets.
- Zero tolerance for unequal, arbitrary and discriminatory treatment on the grounds of politics, religions, race, age, disability, gender or sexual orientation or any others.
- Protection of employees in terms of occupational health and safety.
- Honest and transparent conduct of all members of the organization, observing the rules of the code of coexistence.
- Ethical, responsible and confidential treatment of complaints and/or claims.

COMMITMENT TO EMPLOYEES

We understand that 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:



In the case of birth leave, the organization grants the legal permits and provides 2 extra paid days for paternity leave.

In the case of people who for some reason have reduced capacities to manage their work, whether due to occupational injuries or diseases, we have a management of relocation and adaptation to new operational functions so that they can keep their jobs.

We have a policy for asset development that encourages self-development, the implementation of actions that contribute to continuous learning, and the provision of tools so that employees can acquire and/or deepen knowledge and experiences aimed at growth, not only at the organizational level but also at the personal level.

We anticipate the future needs of the company by promoting the coverage of higher level positions with employees who have developed internally in the company.

We carry out activities for all the plants, such as the Workers' day celebration, the award of medals for 20, 30 and 40 years of seniority, the classic celebrations of Mother's Day, Father's Day and Children's Day and the toasts of end of the year.

To foster culture and wellbeing, we organize photography contests, calendars, murals, and Christmas card drawings competitions, breakfasts with the different areas, and gym classes. Likewise, we have our own library that is enlarged mainly by donations and is available to employees and their families, in order to encourage reading.

We have a Support Plan for direct family members that offers a valid alternative for people who are going through a difficult situation that is consequently affecting their environment regarding family stability and emotional state.

Particularly in Las Toscas, we provide scholarships (financial aid) for children of employees who present a high school transcript with an average equal to or greater than 8.5 points and a certificate of commencement of university studies. To maintain the scholarship, they must have 75% of the annual university study plan approved, and renew their benefit year after year.

SAFETY AND HEALTH

GRI Disclosures 103-1, 103-2, 103-3, 403-1, 403-2, 403-3, 403-6, 403-8, 403-9, 403-10

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 the ISO 45001 Standard, and in the philosophy of Occupational Health and Safety, within the Health, Safety and Environment Manual (HISE for its acronym in Spanish). In this way, we identify the hazards associated with each of the tasks performed within the organization - whether production, services or others - and define the risk of each hazard in terms of the probability of occurrence and severity of injuries. We also have a referential framework given by our Integrated Management Policy, which establishes the guiding principles in each of the management systems implemented.

In addition, since 2011, the organization has been implementing in most of its plants a tool of Japanese origin called "5S" within the HISE Manual, which the Arlei teams apply to daily work. Said tool is structured in the steps of Sort, Set in Order, Shine, Standardize and Sustain. The goals associated with philosophy are:

- Decrease in occupational accidents, incidents and hazards
- Pleasant and comfortable work environments
- Improved product quality
- Increased useful life of equipment and facilities
- Less chance of contracting diseases
- Improved staff wellbeing
- In-depth knowledge of work equipment and tools

Every year, 4 audits are conducted at the Las Toscas, Salta and Don Arturo plants, 3 at Carcarañá and 2 at Lanús. Thanks to the changes implemented within "5S", we have achieved remarkable results in our facilities:



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 to National Law 26,773 on the Regulation of compensation for damages arising from occupational accidents and diseases, and the National Law 24,557 on Prevention of occupational hazards, we comply with the following legal requirements.

OCCUPATIONAL INJURY AND DISEASE MANAGEMENT

EMERGENCY BRIGADES

Arlei Leather Group has defined its emergency action in a procedure called ACODE Plan (Coordinated Emergency Action) that defines the actions of planning, preparation and action in the face of an emergency, among other points, the formation of an operational team to deal with the emergency (Emergency Brigade).

The role of the brigade is to deal with the emergency in the initial phase until the corresponding professional teams can intervene.

At the Las Toscas and Don Arturo plants, a joint brigade was created with an approximate coverage of 1 brigade member for every 30 employees; the members are employees of the company and make up the team voluntarily. The team is made up of people with different levels of training in relation to emergencies, among which there are employees who work in volunteer fire departments in the region. The training and coaching is carried out constantly through weekly activities of theoretical and practical training and review and adaptation of equipment. The company regularly allocates an amount of money every year for specialized training and for the replacement and purchase of equipment.

In the Salta plant, the conformation is similar to that of Las Toscas; the number of brigade members is lower, given the establishment's workforce, and they follow the same principles and guidelines as the other brigades.

At the Lanús Plant, we have a group of dedicated people trained mainly in dealing with emergencies with hazardous materials. Training is carried out mostly by a team of contracted professionals and in some cases is coordinated with the Chemical Information Center for Emergencies (CIQUIME for its acronym in Spanish).

EMPLOYEE RELOCATION

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.

This management has a risk assessment stage in each job position, based on the assessment of hazards and risks, morbidity rates and the profile diagram of each job. Once the situation is identified, an analysis of the remaining capacities and psychophysical restrictions of the person in question is carried out, which results in an internal incapacity ruling. Then, the assessments of the jobs are cross-referenced with the opinion issued by the medical service and the activity with the greatest possibility of adaptation is defined. After the relocation, the follow-up is carried out within defined periods to evaluate the person's adaptation to the job position, everything being recorded in their medical history.

We have some cases of relocations:

- For cases such as upper and lower musculoskeletal disorders (for example, joint injuries or occupational diseases), people were relocated according to medical diagnosis to hold positions that could be performed without difficulty, such as operational tasks without repetition of movement, surveillance or administration.
- In cases of dermatitis or allergies, after identifying the allergens and establishing the treatments, they were relocated to places where they are not constantly exposed to sensitizing substances for the skin or respiratory tract, generally in office positions, surveillance, and boiler, among others.
- We have also created activities that are alternatives to the main production, such as maintenance of green areas, care and maintenance of restrooms and changing rooms, and surveillance, among others, in order to relocate part of the staff that has operational limitations associated with non-occupational diseases or elderly people.

CONTROL AND MONITORING MECHANISMS

Each of our production sites monitors its management through accident rate goals calculated for the entire company. These goals are set to be controlled periodically, with an annual goal that is based on improvement compared to the previous year and compliance with the parameter established by the Superintendency of Occupational Risks (SRT for its acronym in Spanish), a control authority that requires not exceeding more than 10% the rate calculated as the average of the industrial activity to which we belong. Likewise, we have an indicators base that allow us to monitor different parameters and performance of accidentology.

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 addition, we have occupational physicians and nurses who provide assistance, also distributed according to the size of each production site.

In every plant, the prevention teams have the role of providing advice to the chain of command, being in charge of establishing safety guidelines, assessing compliance with said guidelines and requesting the corresponding corrections, so that the chain of command implements them. In this way, we ensure that occupational health and safety reaches all levels 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.

SAFETY CULTURE FOSTERING

We have an award 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. In the last year, 14 prizes equivalent to notebook computers were raffled. In previous years, the largest prizes were achieved and awarded:

Every 7 consecutive days without lost time accidents: The amount of money equivalent to the value of a notebook computer is raffled among all the employees of Arlei (Las Toscas and Don Arturo). The winning operator later buys what he needs.

Every 30 calendar days without lost time accidents: The amount of money equivalent to the value of 3 trips to the Iguazú Falls is raffled for the operator and his entire family for three days. In times of pandemic, the money equivalent is delivered.

If the accidentology goals of the plant are improved annually: A trip to any part of Argentina is raffled for the operator and his entire family for 7 days (where the operator chooses). In times of pandemic, the money equivalent is delivered.

MEDICAL SERVICES

We have medical assistance for the staff in all the 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.

At the Las Toscas Plant, there is an internal medical service with 2 occupational physicians and 2 permanent nurses, who are part of the Arlei team. At the Salta and Lanús plants, we have a nurse for each one, and an outsourced medical care service with professionals who are in the facilities and report to the internal areas of the company (Lanús provides support and medical assistance to the Maipú offices). The 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 transfer service and emergency care 24 hours a day.

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

METRICS

HEALTH AND SAFETY INDICATORS	2021	2020	2019
Occupational injuries – employees			
Fatalities	0	0	0
Serious injuries ¹	2	0	1
Minor recordable Injuries ²	78	43	24
Hours worked	2,681,408	1,992,918	2,677,863
Occupational injury rate ³	29	22	9
Occupational injuries – contractors			
Fatalities	0	0	0
Serious injuries	0	0	0
Minor recordable Injuries ⁴	1	2	2
Hours worked	206,976	156,288	200,640
OCCUPATIONAL INJURY RATE	5	13	10

¹ Serious Injuries: Trapping in moving parts of a machine, falls at same level.

² Minor injuries recorded in employees: muscular injuries, traumatism, sprains, cut injuries.

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

⁴ Minor injuries recorded in contractors: muscle injuries and trauma.

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

We also carry out a list of controls and audits to monitor the risks in the different job positions: control of the use of personal protective elements, machine safety audits, forklift inspection, measurement of noise, lighting and pollutants in the workplace, control of unsafe conditions, control of fire extinguishing systems, control of eyewash stations, control of contractors, control of chemical identification, control of spill containment, monitoring of compliance with legal requirements, ergonomic studies, training.

MEASURES TAKEN AGAINST THE COVID-19 PANDEMIC

Arlei formed a technical team to address the management of the pandemic and business continuity without facing risk of contagion. For this purpose, internal initiatives were launched that prioritized the health and safety of employees, minimizing any probability of contagion. Some of the measures taken were the following:

Creation of a COVID-19 Committee in Las Toscas

In one of our largest plants, we created a committee made up of the Health and Safety team, the Medical Service, and some HR and Legal Affairs representatives, who dedicated themselves to holding regular meetings to decide on the actions and steps to follow according to the needs that arose in the face of the spread of the pandemic.

COVID-19 risk assessment

In line with the risk assessment criteria of IRAM 3801, assessments were carried out in all job positions and the areas with the highest risk of contagion were identified, in order to develop specific control measures for each case.

Drafting of special prevention protocols

Prevention and action protocols were established for each of the following specific situations: action taken to fight against pandemics; attention in plants; action before suspected case; disinfection; transfers; emergency brigade; entry of people traveling.

Preventive isolation of all employees with risk factors

Isolation was implemented for people with risk factors such as people over 60 years of age, underlying medical conditions, obesity. For this last risk factor, treatment schedules were established in order to improve their health conditions.

Reorganization of activities

Tasks were defined to be carried out under the home office modality for administrative and driving staff with reduced hours. Virtual training and work meetings were implemented. The employee transportation service from other locations was also contracted to guarantee distancing, disinfection and traceability during the transfer. Bubbles were formed to guarantee distancing and avoid close contacts between colleagues in the same position, exchanging schedules from the face-to-face format and/or adapting tasks to the home office mode. Control measures were implemented to guarantee distancing, such as separation bars, CO2 measurement, extractors fans for cross ventilation, etc., in such a way that the operation of all areas could be guaranteed.

Definition of new control measures

Access controls were carried out for the company's employees, contractors and transporters, as well as internal disinfection routines, delivery and disposal of protective material at the request of the staff (face masks and shields, acrylic partitions between desks), constant disinfection of spaces, layout of common spaces and dining rooms, special storage of materials guaranteeing disinfection and distancing, special collection of PPE waste, rapid daily detection test for suspected cases, antibody testing for staff returning from a prolonged absence, and olfactory system control routines before entry into the workplace according to the progress of registered cases.

Constant communication

Special campaigns were carried out through posters, publications on social networks and through different electronic means; training material was delivered with signature registration. A strong campaign was carried out to encourage staff vaccination, with timely monitoring of each case.

Monitoring of indicators

A statistical control of the cases within the plant was carried out with the indicators of cases rate and reason, in accordance with the indicators of the Ministry of Health. These indicators were monitored daily and were used to determine action plans.

LOCAL COMMUNITIES

GRI Disclosures 103-1, 103-2, 103-3, 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.

To a greater extent, the activities carried out are focused on populations at social risk with a high rate of UBN (Unsatisfied Basic Needs), students at primary and secondary levels, students attending rural schools, and organizations offering help and solidarity assistance such as NGOs and commissions that promote sustainable charity projects (social assistance organizations, school cooperatives, neighborhood associations, nursing homes, children's soup kitchens).

The Institutional Relations area is responsible for receiving and managing requests for donations, collaborations and project support. Said requests are evaluated and based on this analysis, it is defined whether the support will be provided and how the delivery of the resource will be managed (in time, money or kind, according to the requested requirements and the availability of the company) thus managing to attend to all the needs of our communities.

**DURING 2021, WE INVESTED OVER \$5,000,000
IN INITIATIVES AIMED AT COMMUNITY
DEVELOPMENT AND WELLBEING.**



SOCIAL 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.

The “Feel Useful” (“Sentite Útil”) and “Cherish Esperanza” (“Abrigando Esperanza”) campaigns are part of the corporate volunteering, in which all Arlei employees are invited to participate. They seek to provide support with elements and school supplies at the beginning of the school year, and to donate warm clothing, especially in the winter season. In addition, all the plants make donations for waste management to several nearby organizations and institutions.

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

Las Toscas

Contributions to entities such as neighborhood soccer schools, nursing 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, and the “Public Trees” (“Arbolado público”) campaign, which consists of an alliance with the local municipality, with whom 141 trees have been planted in public spaces.

Salta Plant

Donations of vegetable 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.

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 for their craft workshops. These materials and 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. In turn, the Lanús site donates furniture and work material to the local police station, and has a solid relationship with one of the hospitals in the area, with which, after the donation of containers to classify waste, they have been working to generate more projects related to sustainability.





07

GRI CONTENT INDEX



ARLEI

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Sustainability Report

2021



MUCH MORE THAN LEATHER



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