

PANGEA

2022

Sustainability Report



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Introduction





Letter from Pangea's President and CEO

Dear Pangea Stakeholders,
Clients and Customers,

Sustainability is fast becoming embedded in everything we do, just like operational excellence and a lean mindset. Over the past few years, we've continued to work towards our goal of making leather accessible, while educating our customers on material sustainability.

Building on our inaugural report in 2021, the 2022 Pangea Sustainability Report presents our policies, operational performance, forward-looking targets, as well as future initiatives. With this second sustainability report, we continue to integrate measures to address core societal issues, business ethics, labor practices, the environmental impact of our operations, and our supply chain assessments.

As you glance through this report, you'll notice that we have strengthened our sustainable product development, operations and supplier assurance ratings – all while promoting the wellbeing of our communities and connecting our ESG approach to innovation and collaboration.

Even in a less-than-ideal global economy, Pangea continued its transformation into a sustainable leather company. Every day, we strive to meaningfully reduce our impact on the environment and help our automotive customers reach their targets of a possible carbon-neutral supply chain in the near future.

By reducing the impact of our core processes and industrial footprint, we directly contribute to a safer, healthier, and cleaner environment.

We present this report to you because we believe that communicating openly about our business is vital for building trust and lifelong relationships not only with our customers, investors and community but also with ourselves.

I am so proud of our progress and I can't wait to build on what we've already achieved.

Sincerely,

Randy Johnson
President & CEO

Executive Summary



In 2022, we continue to work towards our goal of making leather widely accessible while educating customers on the aspects of material sustainability that the modern leather industry has to offer. Pangea is committed to the transparent disclosure of information and data related to our Corporate Social Responsibility activities that highlight achievements and contribution to many positive outcomes for stakeholders within our detailed sustainability roadmap that started with the publication of our first Sustainability Report covering 2021 activities.

We understand that an improvement in public perception of the leather industry is only possible with correct, impactful messaging showcasing innovation and a commitment to lowering the carbon footprint of our products and processes. Our sustainability strategy guides us as we work to lead the change towards a circular and non-impactful leather industry utilizing cattle hides that would otherwise

be discarded if not made into leather, while being a fair and equal company.

Such commitment includes working to accelerate product development in collaboration with customers, suppliers, and peer organizations united in our goal of promoting an industry-leading product portfolio. This will provide improved carbon-footprint and greater accuracy in public perception of what a modern leather industry is. This 2022 report presents Pangea's policies, operational performance, results in a comparison¹ to metrics of our baseline year 2021, forward looking targets, and initiatives.

With this second sustainability report we continue to integrate how we address core societal issues, business ethics and labor practices, the environmental impact of our operations, and our supply chain assessments through a sustainable business model that creates shared and long-lasting value for all its stakeholders. For this report,

¹ Percentual values comparing 2022 relatively to 2021 metrics are highlighted in text. Green color coding indicates a desired trend.

we set the stage for a 2024 materiality assessment to ensure that our focus on ESG topics is the most relevant for society, our customers, the environment and our financial health. This focus is paramount to the long-term success of our ESG strategy.

This edition of our Sustainability Report reflects Pangea's performance as of, and for the year ended December 31, 2022. The information in this report is presented collectively on behalf of our Corporate Development Center (Rochester Hills, MI), our operations in Mexico: Leon (LN), Nuevo Laredo (NVL), and Saltillo (STL); in Germany: Mulheim (MH); in Hungary: Jánosháza (JZ); in South Africa: Nigel (RSA), and in China: Jiaxing (JX). It includes disclosures prepared in accordance with common reporting standards for content and ESG framework, including the Greenhouse Gas (GHG) Protocol. This report has been reviewed by the Board of Directors of Pangea Made, Inc, and as such is granted public view.

During the year 2022, market disruptions continued to boast a weaker-than-

ideal global economy. Many developed governments intensified their responses for climate initiatives causing the automotive industry to revise and lower production forecasts in light of regional uncertainties. This complex geo-economics required businesses to deliver results while still becoming more resilient and agile in response to supply-chain risks. Even in this context, Pangea continued

We understand that a change in public perception of the leather industry is only possible with correct, impactful messaging showcasing innovation and a commitment to lowering the carbon footprint of our products and processes.



its transformation into a sustainable leather company. Targets include meaningful reduction of our impact on the environment, answering the call of our automotive customers to assist them in reaching their targets of a possible carbon neutral supply chain. Looking ahead, we see collaboration as essential for finding solutions to complex challenges we face as an industry that is so interconnected.

As you glance through this report, you will notice that Pangea continues to strengthen

its sustainable product development, operations and supplier assurance ratings while promoting the wellbeing of the communities surrounding its production sites. We are connecting our ESG approach to innovation and collaboration, creating new ways to add value for our customers, our people, the communities surrounding our industrial footprint, and our stockholders. More distinctly, taking another step on our journey to integrate sustainability into our everyday business practices, we are aligned with the United Nations Sustainable Development Goals (SDG), which principles are identified in each relevant section of this annual report.

We welcome you to read our 2022 edition of the Sustainability Report for details on our sustainability vision and strategy and how it supports our business and customers. Communicating openly about our business is vital for building trust and lifelong relationships with our customers, investors, community, and ourselves. We will continue to share our progress on activities, and welcome collaboration and

Communicating openly about our business is vital for building trust and lifelong relationships with our customers, investors, community, and ourselves.

partnerships as we continue to promote leather as a natural and renewable material. While corporate transparency alone may not improve sustainability performance, transparency does create a setting for accountability and allows us to compare our leather industry to others, pushing us to improve and encouraging others in our industry and the active leather supply chain to do the same.



“

Our collective sustainability vision is a driving force for our global products built with respect to our customers, imagined by our diverse culture, and enriched by the communities around us. We view this work as an art of transformation that starts with an animal waste stream, otherwise discarded, and results in a natural leather material desired by our customers. Operating in a sustainable manner is critical to our mission of carrying now for the actions we take today to allow for an opportunity, in the shared future, for those who are still to discover and embrace what leather is.”



Roger Pinto

Director of Sustainability & Innovation

“

This is a remarkable time for our industry. We celebrate another milestone with our second Sustainability Report while technology is empowering how information reaches our customers and how we support leather education. We have heard the call for transparency related to our products, their origin, the sustainable aspects of leather craftsmanship and how leather compares to other materials. To guide our audience, a core function of Pangea Marketing is to release data and facts coherent with science and technology as we promote advanced leather materials. We look forward to sharing news of our continuous progress with you on a global scale.”



Jacquelyn Smith

Global Marketing Manager



Our Manufacturing Locations

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Environmental





By reducing the impact of our core processes and industrial footprint on nature and climate, we directly contribute to a more fair and equitable access to a safe, healthy, and clean environment, an intrinsic human right.

- ROGER PINTO
Pangea Director of Sustainability & Innovation

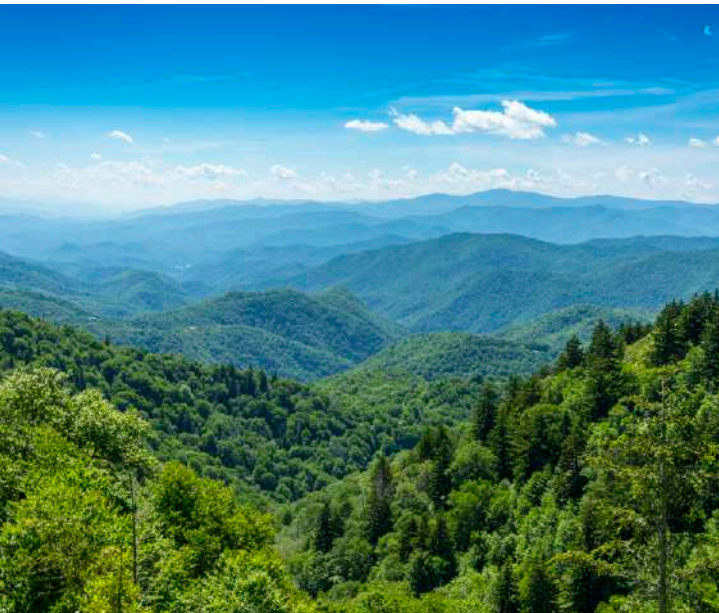
By reducing the impact of our core processes and industrial footprint on nature and climate, we directly contribute to a more fair and equitable access to a safe, healthy, and clean environment, an intrinsic human right. In turn, a thriving environment supports economic development and wellbeing. These interconnected issues include water, biodiversity, and land use changes, all of which are directly related to responsible consumption of materials and the participation of the upstream supply chain through the unavoidable cattle farming that is needed to feed society. Tackling this complex set of issues requires us to collaborate with peers throughout the supply chain and consider action beyond the boundaries of our facilities.

Our diligent work to communicate with OEM customers the life cycle assessment (LCA) of our products and the diverse environmental impacts incurred should animal hides be discarded instead of

averting them into leather production taught us that customers tend to find it overwhelming and require our information to be summarized using their own templates. This implies information not being standardized across the automotive industry, with that data that is not scalable or comparable. For the benefit of all involved in the value chain, this calls for a unified industry approach to qualifying what impacts are meaningful and relatable to leather, when communicating product environmental impact data.

The environmental section of this report summarizes many metrics related to leather production, using a square meter of coated (finished) leather as a functional unit. While we provide these metrics with an informative intent, metrics shared herein are to be understood as unique to our processes and production sites. Under generalized assumptions, data can be compared to other published information.

Greenhouse Gas Emissions



To limit impacts of our operations on the environment and contribute to lowering the carbon footprint of our supply chain participation, we monitor the emission scopes based on the Greenhouse Gas Protocol (GHG): all GHG emissions directly related to our processes (Scope 1) and indirect GHG emissions from consumption of purchased electricity (Scope 2). The upstream and downstream emissions resulting from assets and activities not owned or controlled by Pangea, but that indirectly impact our value chain are not captured at the moment (Scope 3). There are challenges to Scope 3 reporting, such as access and availability of reliable data, particularly where volumes of business with different suppliers and delivery to Tiers change monthly.

For the calculation of Scope 2 emissions, the location-based method was preferred. This methodology uses average emission factors relating to the generation of energy for well-defined geographic borders, including local, subnational or national grids from where we connect our production sites. It is understandable that this could lead to higher estimates in comparison to a



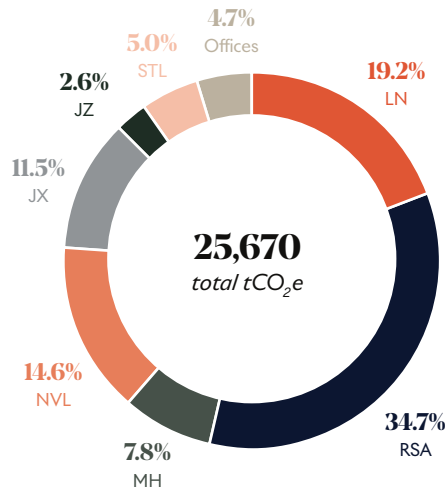
market-based methodology that relays CO₂ emissions from energy suppliers Pangea can buy electricity through a contract and can take in consideration certificates of guarantee of origin of energy and specific supplier offsets.

For the 2022 calendar year, the overall global emissions inventory accounted as CO₂ equivalents resulted in a company-wide Scope 1 and 2 GHG emissions of 1.137 kg CO₂e per square meter of finished leather, similar to levels from 2021 (1.142 kg CO₂e/m²). This was expected understanding that the planned improvements in energy management, on site generation and offsets from electricity consumption would be in effect starting January 2023.



Scope 1+2 Emission Profile Y'22

Regional allocations in tCO₂e

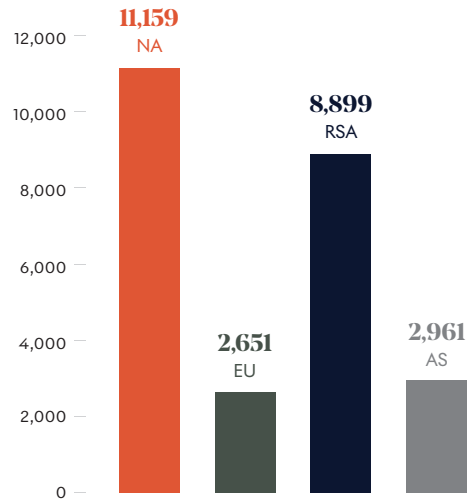


- Mexico: Leon (LN)
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- Mexico: Saltillo (STL)
- Offices



Scope 1+2 Emission Profile Y'22

Regional allocations in tCO₂e

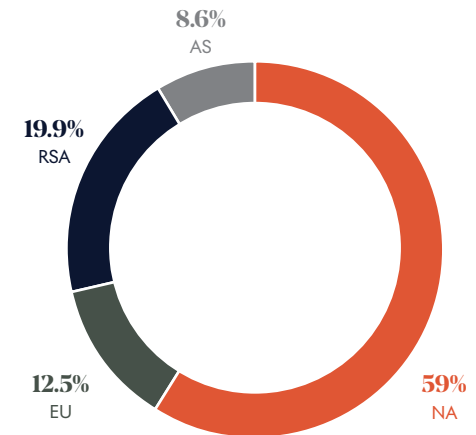


- North America (NA)
- Europe (EU)
- South Africa: Nigel (RSA)
- Asia (AS)



Leather Production

Regional allocations based on product m²



- North America (NA)
- Europe (EU)
- South Africa: Nigel (RSA)
- Asia (AS)

The environmental section of this report summarizes many metrics related to leather production, using a square meter of leather coated (finished) surface as a functional unit. While we provide these metrics with an informative intent, metrics shared herein are to be understood as unique to our processes and production sites. Under generalized assumptions, data can be compared to other published information.

The data collected has broadened our understanding that the most effective way to reduce Pangea's GHG emissions is to make our operations more efficient and less material-intensive, thereby reducing our current consumption of energy and investing in alternative energy to offset current energy loads demanded at each production site. Pangea will continue to prioritize energy conservation as we pursue our goal to contribute to the net-zero GHG emission goals of our major automotive customers and their supply chain, using the best available technology economically achievable at each of our production sites.

An example of such corporate commitment is the onsite photovoltaic power generation

in our facilities and/or traceable green energy purchase agreements, as permissible at the locations of operations, effective January 2023. Such investment will make possible for our facilities running retanning, finishing, and cutting operations to not only significantly reduce GHG emissions, but also comply with standards of energy management and energy/production ratios needed for LWG Gold certification and a great reduction on supplemental energy intensity of our processes. Such commitment benefits the whole portfolio of automotive leathers supplied by us and also compels our own supply chain to seek enrollment in energy efficiency programs that focus on GWP impact.



Energy



Our reporting of energy consumption considers what is contractually acquired from the regional power grids where our consumption occurs. No renewable energy credit is taken from the renewable make-up of each national power grid where we operate. We understand that the make-up of the electricity supply in each country accounts for a clean energy component in the emissions conversion factors per kWh, and this is updated yearly by organizations, such as the International Energy Agency (IEA).

During the year 2022, Pangea consumed 1.28 kWh (-3.4%) of electricity and 4867 kJ of thermal energy (primarily natural gas) per square meter of leather processed. The thermal energy figures include the contribution of subcontractors allocation

that was not accounted for in the estimates for 2021 previously reported. Regarding transportation of goods within a production site and building space heating, these contributions were capped at 1.2% of the total emissions combined. Diesel consumption was reduced to 5265 liters (-49.5%) and liquified petroleum gas (LPG) increased to 177430 liters (+53.5%). This switch in fuel type promotes a lower carbon, sulfur and NO_x emissions output per unit consumed.

ELECTRICITY CONSUMPTION

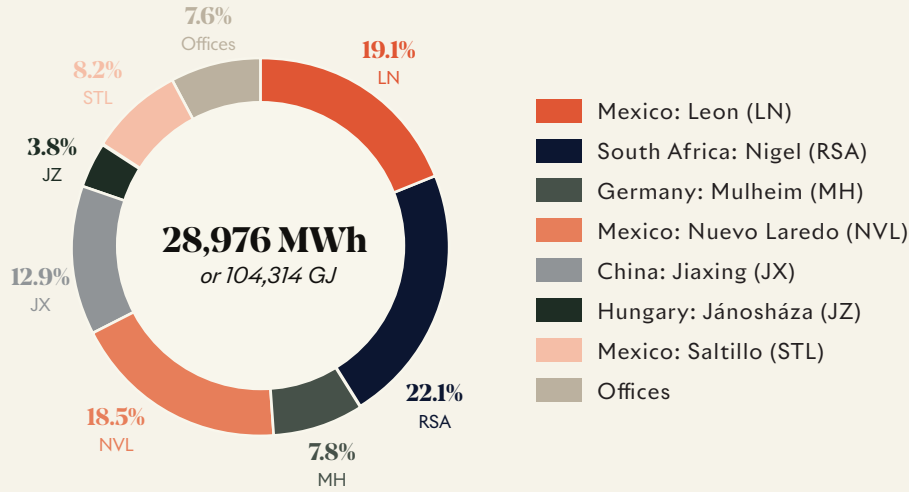
1.28 kWh/m²

⬇️ *Down 3.4%*



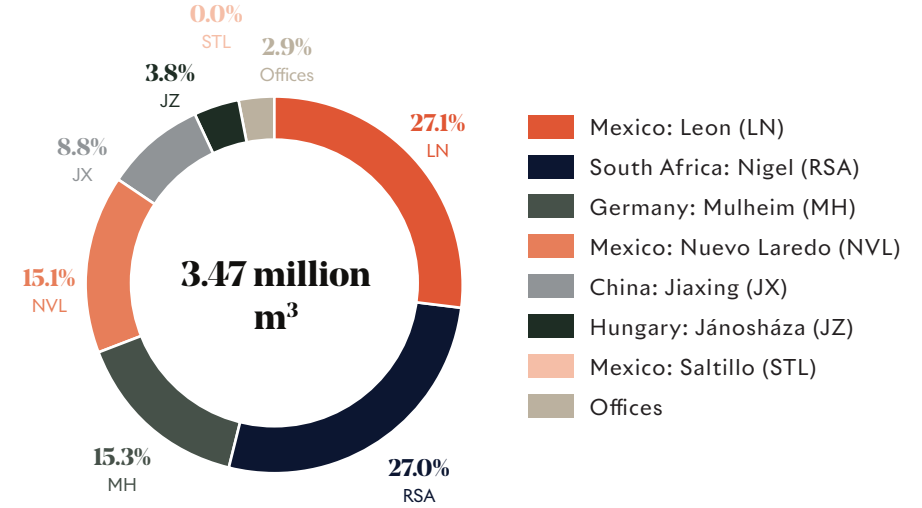
Energy Profile – Electricity Y'22

Regional allocations in MWh



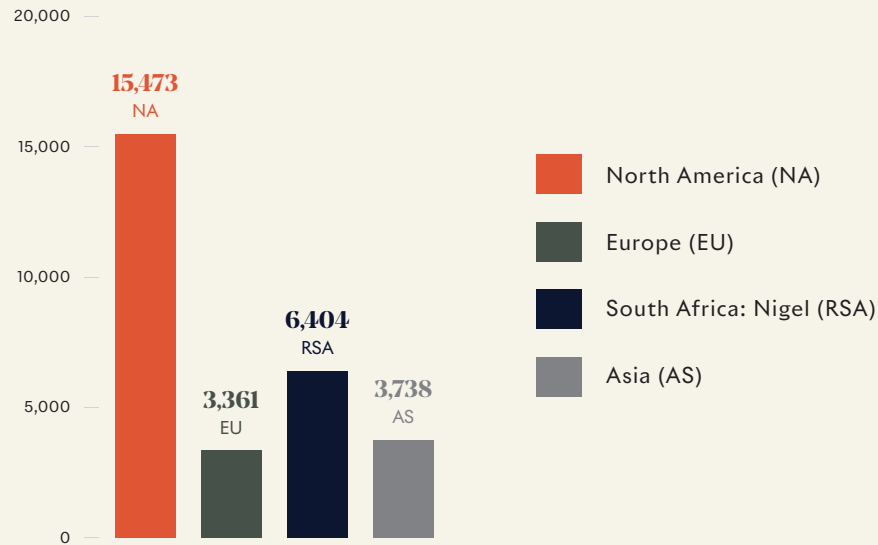
Energy Profile – Natural Gas Y'22

Regional allocations in 1000 m³



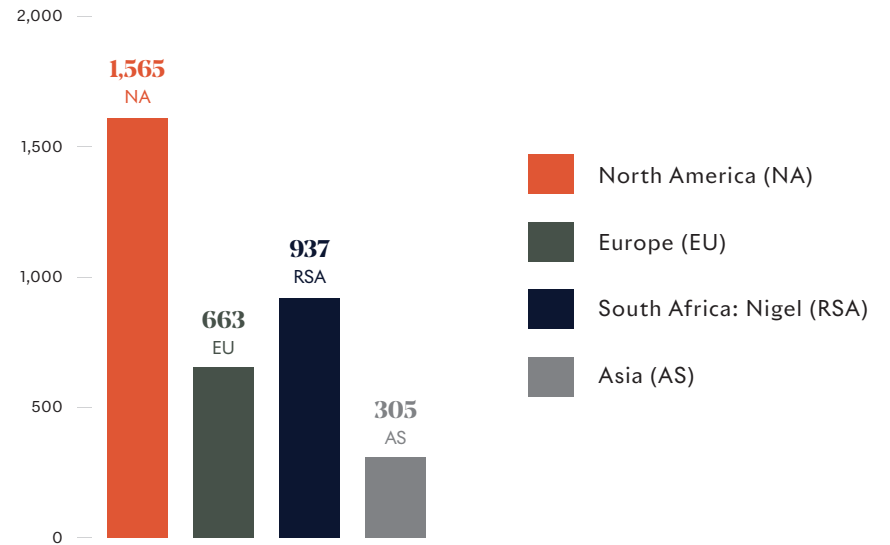
Electricity Consumption

Regional allocations in MWh



Natural Gas Consumption

Regional allocations in 1000 m³





The energy consumption profiles described are used to define environmental metrics granting an opportunity to commonize lessons-learned and promote process standardization across production sites regarding energy conservation.

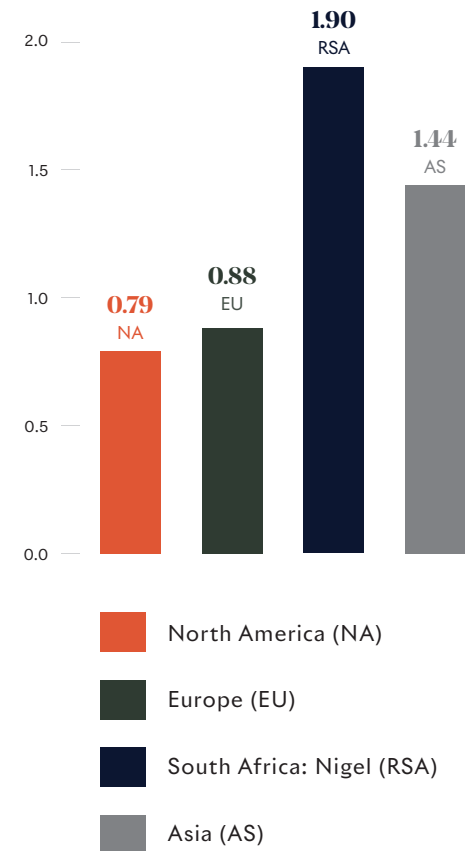
The disparity in the figures shown for emissions over production volumes for our operations in RSA and China, compared to other regions, relates to a disproportionately higher emission factor from the energy supply industry of these two regions. However, these ratios within our processes will decrease over time with the introduction of energy efficiency programs, aiming to obtain, at a minimum, a 2-3% energy efficiency gain year-over-year until 2025 when we believe the automotive market will be stabilized and

more aggressive goals and investment could then be forecast.

Currently, we are engaging a phased, site-by-site approach to reducing our carbon footprint by replacing end-of-life and high carbon-intensity assets with energy efficient technologies. The year 2023 will certainly bring a drastic reduction in emissions over our energy consumption with many energy management projects kick starting or being phased in regionally.



Regional emissions equivalent from electricity grids in our regional processes in kg CO₂e/m² of finished leather



Water



Water is essential to our business and by volume it comprises the largest commodity used in the manufacturing of genuine leathers. Risks to water availability impact our value chain, which is reliant on clean water for production processes. We have a duty to use water responsibly and help safeguard its quality and accessibility in areas where we operate.

Pangea operations involve retanning, which carries our highest consumption of water, followed by coating that uses water in aqueous dispersions applied via roll-on or spray applications. While some water is incorporated into leather substrates and a more significant portion is returned to the atmosphere as water vapor, our treated wastewater can account for up to 89%

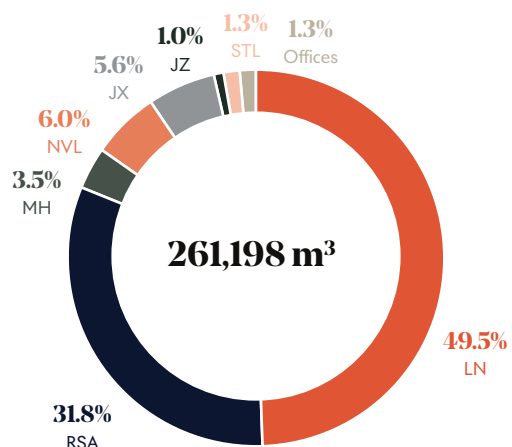
of the overall water used and returned to surface waterways through municipal wastewater treatment facilities.

For the calendar year 2022, Pangea water consumption remained stable as previously reported: averaged 17.8 liters of water per square meter of crust processed in retanning and 3.8 L/m² for all additional processes and utilities dispensed to produce a finished leather article, inclusive of the cutting facilities, the contribution of sales, design, R&D and corporate offices. The quantity of water used in 2022 increased proportionally to the annual increase of leather output (7.4% and 7.7%, respectively).



Water Profile* Y'22

Regional allocation in m³



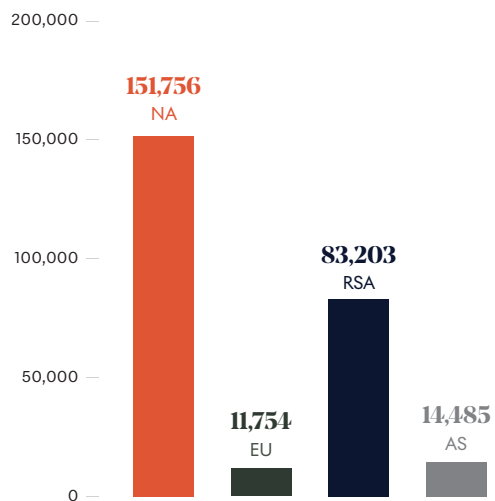
- Mexico: Leon (LN)
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(*) Does not include beamhouse and tanning contracted services.



Water Usage

Regional allocation in m³

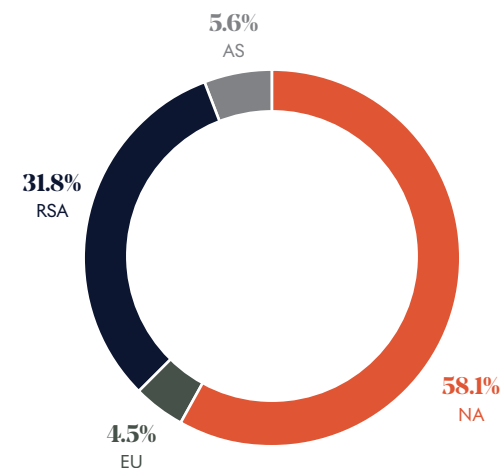


- North America (NA)
- Europe (EU)
- South Africa: Nigel (RSA)
- Asia (AS)



Water Usage

Regional allocation (%) of total usage



- North America (NA)
- Europe (EU)
- South Africa: Nigel (RSA)
- Asia (AS)



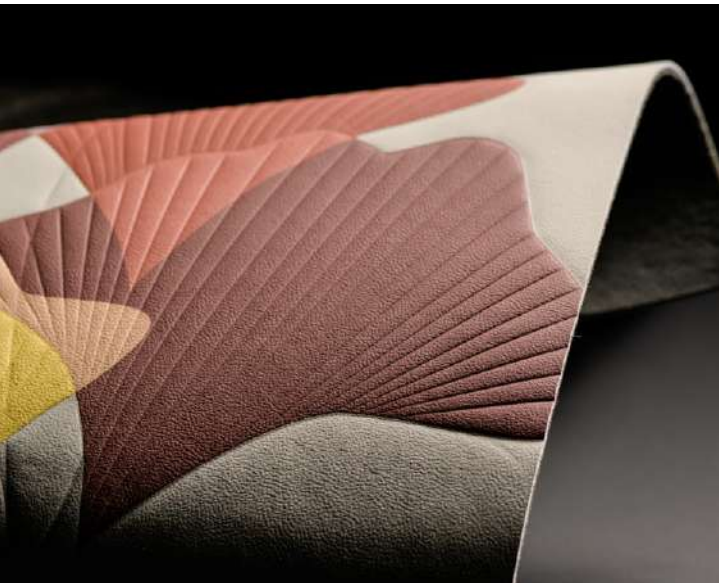
By working collaboratively with our equipment suppliers, all ISO certified, we can contribute to water quality and efficiency to foster new processes addressing water scarcity in areas of concern. We are committed to advancing water stewardship within our own operations and to enhance water management for water-stressed areas. Pangea has set local targets to reduce freshwater intake per square meter of leather processed between 8 and 16% by 2025. To improve we will depend on site specific coating applications and retanning innovations as we shift to a more sustainable leather portfolio that makes use of exclusively waterborne chemistry compliant to Zero Discharge of Hazardous Chemicals (ZDHC) in their making.

Actions go beyond our production sites. For example, we work towards reducing the impact of water usage and enable others to do the same: with office maintenance communications, *Gemba* walk observations, updates to site operability and adjustments to lawn irrigation cycles, Pangea corporate offices and R&D facilities reduced water consumption from over 6000 m³ to 3340 m³ (-44%) for the period of this reporting. Small actions do count!

We are committed to advancing water stewardship within our own operations and to enhance water management for water-stressed areas.



Chemicals and Material Management



Our innovation and sustainability strategies are integrated, becoming a business culture. The durability of our genuine automotive leathers starting from raw hides, otherwise disposed of, requires a series of intricate chemistry transformations from tanning, retanning, and finishing application. All these processes happen in aqueous phase, which brings the benefit of a very low VOC profile to our industry.

The intended use of the leather and its related customer specifications dictate the chemical framework of formulations using our approved global suppliers that detain the largest market share of chemicals supplied to the automotive leather industry. This partnership brings in safer chemicals known to follow stringent regulations and sustainable initiatives during their manufacturing and global approvals. A fruitful collaboration in chemical screening that started in 2018, resulted in all finishing coatings applied by Pangea being perfluorinated-chemical free.

How we make leathers and how our products enhance the vehicle end-user experience define what unites Pangea's Global Product Development and our Design teams. To lower the impact of chemicals on the life cycle of our products, Pangea has structured a product platform for new leather articles and a global chemical standardization program across all production sites. The overall consumption of chemicals for retanning and finishing reached 0.382 kg/m² of leather processed **(+5%)**, somehow stable to the levels observed for the 2021 leather portfolio. However, from our chemical usage in 2022, 17.5% of the stock-keeping units were chemicals comprised of natural content or processed from renewable feedstock **(+70%)**. Pangea anticipates that the content of renewable chemistry in its products will increase significantly, particularly with the breakthrough of tanning processes alternatives and with the advancement of biopolymers and polyurethanes carrying renewable-carbon content for finishing applications.



Our experience tells us that all materials have an impact on our environmental footprint, from their production, use, and ultimately their end of life and disposal. As a consequence, we continuously explore reducing our chemical usage. We prioritize working on the materials we use the most or that show the greatest potential to improve environmental and supply chain impact. Results are being achieved through highly principled and responsible procurement practices combined to our product innovation.

It has become evident that incorporating green chemistry (GC) goals into our processes and chemistry plays a role in modern tanning. **In summary, Pangea Product Development considers retanning and finishing technologies that:**

GREEN CHEMISTRY (GC) GOALS:

01

Prevent Waste

Provides higher leather performance, as compared to current tanning, retanning and finishing chemistries

02

“Atom Economy”, Chemical Uptake

Easily anchors to the substrate hide, without the need of coadjutants to improve chemical absorption and penetration into the cattle hide

03

Less Hazardous Syntheses

Poses low to no risk in its manufacturing, transportation, and handling

04

Safer Chemicals and Products

Must not be harmful to the end-user or to the environment

05

Safer Solvents and Reaction Conditions

Are waterborne, uses no solvent nor need auxiliaries during applications

06

Energy Efficiency

Must use less energy in its application than current technologies

07

Renewable Feedstocks

Must come from renewable raw material sources not competing with food industry

08

Avoid Intermediate Chemistry

Reduces the need for derivatives in chemical manufacturing

09

Selective Catalysis

Considers synergistic effects in its application

10

Design for Degradation

Is biodegradable during its disposal or capable of degrading under waste treatment conditions

It is understandable that leathers are produced in many ways: automotive specifications and specific design needs vary per OEM program, which in turn requires unique chemistry combinations from detailed coatings to distinctive substrates. Having a variable portfolio of tanned substrates and their finished articles that ranged from premium Nappas to commodity high-wear leather creates a challenge to minimizing chemical usage accounting for these variables. Yet, we aim at recycling chemistry for the right products. In 2022, we produced 13,052 kg of biopolymers that were recycled into our Recycled Tan substrate, almost doubling its output in comparison to the previous year. This represents the conversion of about 20.3 metric tons of what would be considered solid waste into a chemical feedstock to our processes.

For all consumables and commodities, from hides to packaging, our Sustainable Procurement Policy guides our approach. While not a feature of all leather parts produced, the use of lamination is necessary for many design and engineering



characteristics of the automotive seat and its parts, cabin instrument and door paneling. Even though efforts to commonize lamination materials within vehicle platforms exist, the large variability and unique engineering materials, does not support a decision to limit the complexity brought to the end-of-life of leather trims when combined with additional materials. To satisfy customer design and engineering initiatives, Pangea used 58 different types of foam lamination, webbing and scrim, totaling over 2.42 million square meters of

IN 2022, WE PRODUCED

13,052 kg

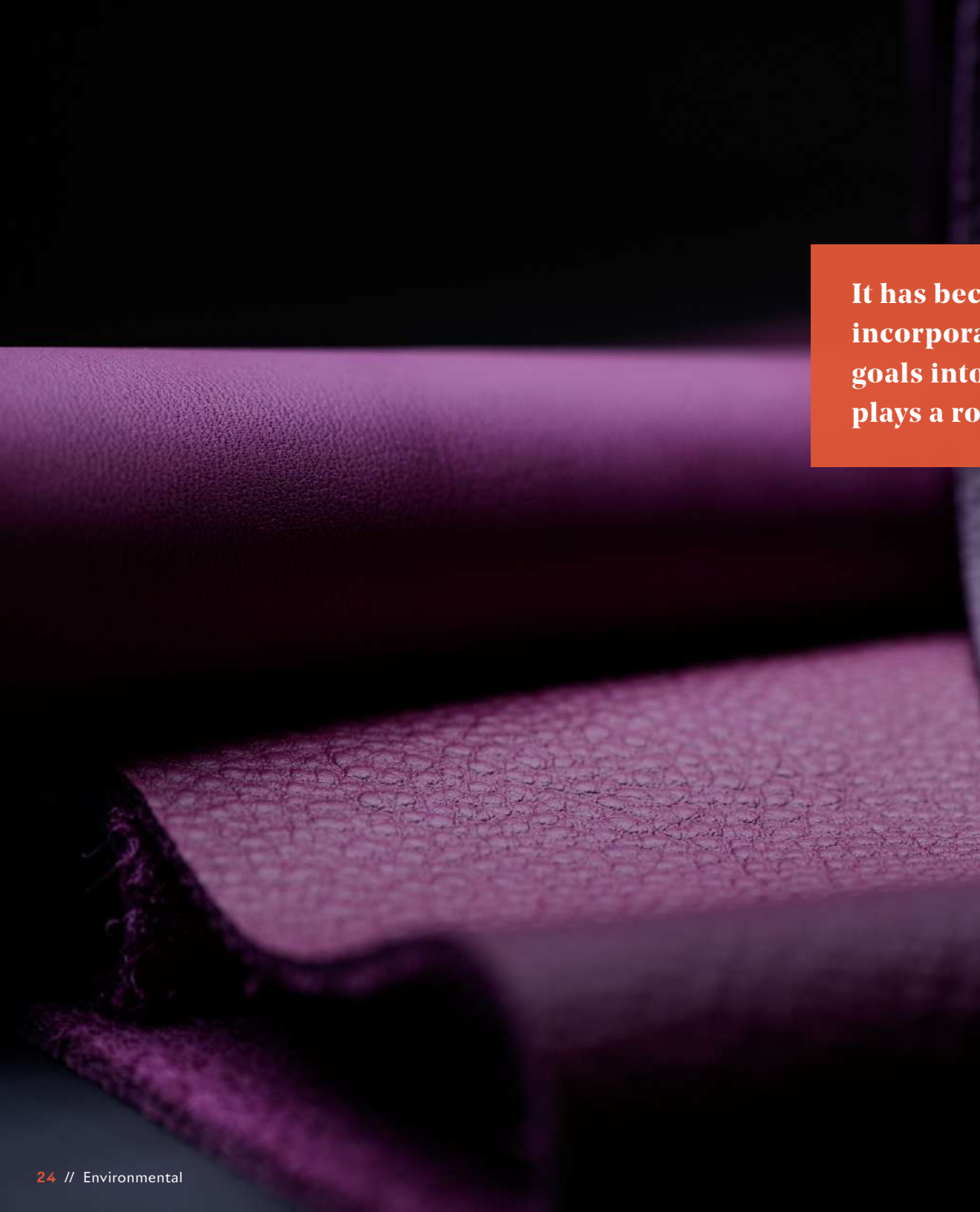
of biopolymers that were recycled into our Recycled Tan substrate

THIS REPRESENTS THE
CONVERSION OF ABOUT

20.3 metric tons

of what would be considered solid waste into a chemical feedstock to our processes





It has become evident that incorporating green chemistry (GC) goals into our processes and chemistry plays a role in modern tannage.

lamination for its 2022 leather production. Instead of increasing sustainability, this adds to complexity when thinking about the end-of-life of the seat cover or repurposing of the leather.

We expect that the lamination industry and OEMs will embark in partnership to integrate sustainable alternatives to polyurethane foam backing and synthetic support materials to seating surfaces. Meanwhile, Pangea offers a full substance (thick) leather construction (Natural Grain) that can be applied without lamination.

Circularity and Waste



Waste reduction continues to be an important facet of our environmental strategy which recognizes the need to address the full life cycle of our leathers. Our goals include supplier partnership to incorporate circularity initiatives into leather processing and to attain an overall waste management tackling different waste streams: shavings, sludge from wet-processes, spent coatings, packaging refuses, finished cut parts and lamination.

Pangea recycles the typical waste streams that have material recovery value (metal, glass, paper/cardboard, plastics, and wood). A total of 1360 metric tons were recycled, which accounts for 15.5% of the total solid waste generated globally during the period of this report (+10%). The recycling rate at each facility varied per production profile and local availability of recycling centers, which can limit efforts.

Packaging materials, predominantly paper and corrugated cardboard, comprise almost half (48%) of our recycled waste. Knowing this allows us to put forth a purchase

1360 metric tons 

were recycled, which accounts for 15.5% of the total solid waste generated globally during the period of this report

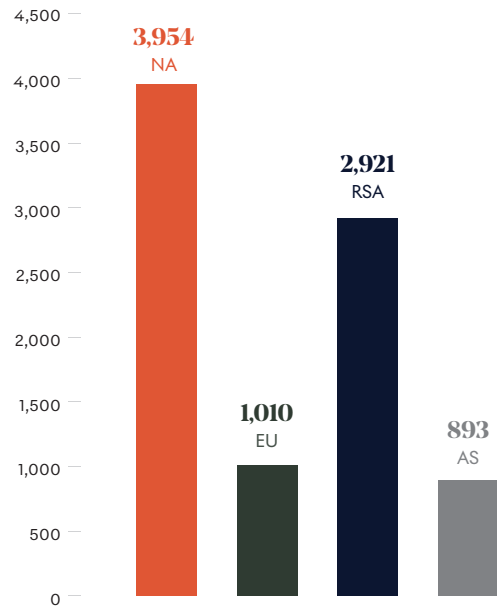
 **Up 10%**

policy to require post-consumer recycled content on the cardboard sheets we use for customizable packaging. Data from the Mexican Paper Chamber and the work done by CADIS (*Centro de Análisis de Ciclo de Vida y Diseño Sustentable - Life Cycle Analysis and Sustainable Design*) or the EPA Environmental Factoids would indicate that with this practice alone, Pangea saves 11610 mature trees, 12900 m³ of water otherwise needed for pulp and paper processing, and 1620 m³ of municipal landfill space, not forgetting the lower energy requirements to reprocess recycled paper into a useful article. As we collect metrics to optimize our manufacturing processes, we pledge to continue improving our waste management with local partnerships and repurposing initiatives.



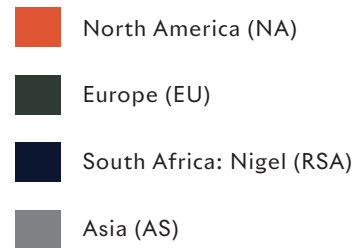
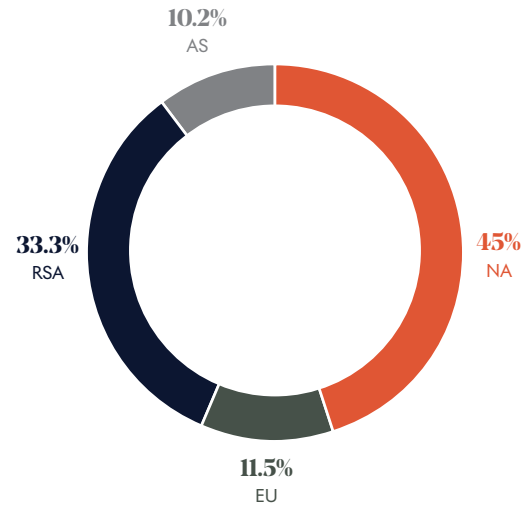
Regional Waste Generation

Regional waste in metric tons (t)



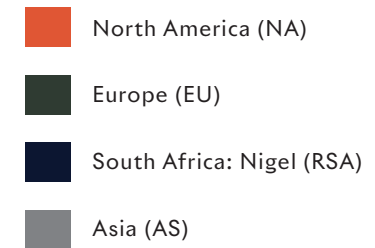
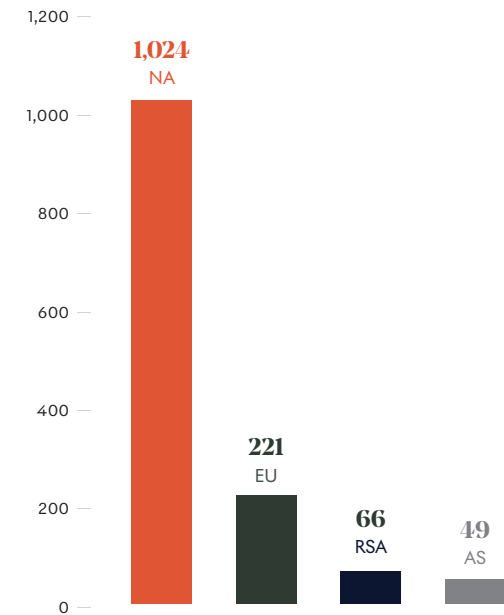
Regional Waste Generation

% of Pangea global waste output



Recycled Waste

Regional recycling in metric tons (t)





PANGEA SAVES

11,610
mature trees

AND



2,900 m³
of water

Lowering consumption of raw materials directly improves energy, chemicals and water impact in our product LCA's. It is an important step toward our goals of a circular process. We recognize that we must address the full life cycle of our leathers, from raw materials to end of life and back again. A partnership with local industry and supplier in Leon, Mexico, created the opportunity to recycle tannery shavings into a hydrolyzed compound that is reincorporated in the retanning process at our facility, in a circular process that yields our Recycled Tan substrate.



Chemicals

Use of a chemical screening process to identify best performing chemicals of lower environmental impact profile, reduce use, increase renewable content, and recycle chemistry.

01



Water

Reduce over-batching and increase recycling, reduce freshwater intake, and improve quality of wastewater.

02



People

Avoid adverse effects on health by using of proper personal protective equipment and training on safety and chemical handling.

05

**We currently
are addressing
the following
areas:**



Production Waste

Increase material recovery, reuse, and recycling rates, reducing waste generation.

03



Energy

Emissions offset, improve energy transfer efficiency, and minimize overall use.

04

GLOBAL NON-HAZARDOUS WASTE PRODUCTION

📉 *Down 13% vs 2021*

Our global non-hazardous waste production, mostly landfilled, amounted to 234 grams/m² (-13% vs 2021). To a lesser extent, dewatered sludge combined to waste segregated and classified as hazardous contributed to an output of less than 32 grams/m² (steady levels as in 2021). These quantities are forecast to decrease over time with Pangea's introduction of sustainable and renewable chemicals in retanning and finishing, promoting a larger portfolio of substrates (Pure Tan®) that are free-of-chrome but also absent of glutaraldehyde that is typically used in traditional free-of-chrome substrates. Building a portfolio of alternative substrates creates possibilities for better value in the waste management and creation of close loop systems, composting, and energy recovery moving away from a hazardous classification.

As part of our circularity efforts, we are giving our design teams the tools to make

choices that can positively impact product longevity, reuse, recyclability or repurposing of materials. Experimentation with such ideas can today be evaluated with virtual prototyping that offers our customers a quick view of a project before materials are actually processed. Customer feedback can promote changes in a design before even Pangea makes a first prototype, eliminating waste in the development process.

We understand that increasing the use of safe, renewable, and recycled materials, and supporting innovation in circular manufacturing is a strong value proposition for the customer. As an example, leather strips from the cutout of hides used in instrument panel application, which cutting process uses large patterns and results in the largest refused area of a leather hide are used for woven leather designs. In this case, the primary customer desire for appearance perfection works against the aspects of a low material rejection, but this creates an opportunity for Pangea to define other uses of such valuable waste stream.

As part of our circularity efforts, we are giving our design teams the tools to make choices that can positively impact product longevity, reuse, recyclability or repurposing of materials.

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Social



Our Employees



Our production sites and offices are present in 8 countries, expanding our geographic presence to 4 continents. This footprint strengthens our role as an employer of diverse talents and different backgrounds, which provides us with a multicultural working environment, an asset for the company.

It is of utmost importance for us to build and maintain healthy relationships with our employees, contractors, suppliers, and other stakeholders throughout the communities where we operate. Pangea has recognized its employees to be the thread that quilts the creation of value for all stakeholders: 92% of the salaried positions that became available throughout 2022 were fulfilled by internal promotions and realignment of responsibilities suitable to the personnel capabilities, their individual potentials and company needs.



92%

of the salaried positions that became available throughout 2022 were fulfilled by internal promotions.



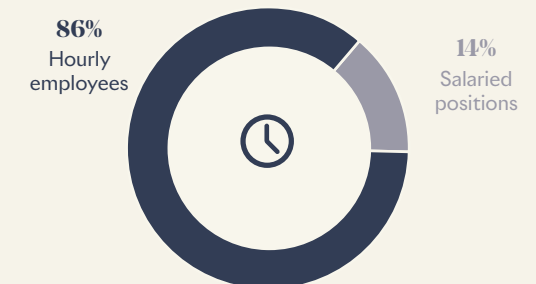
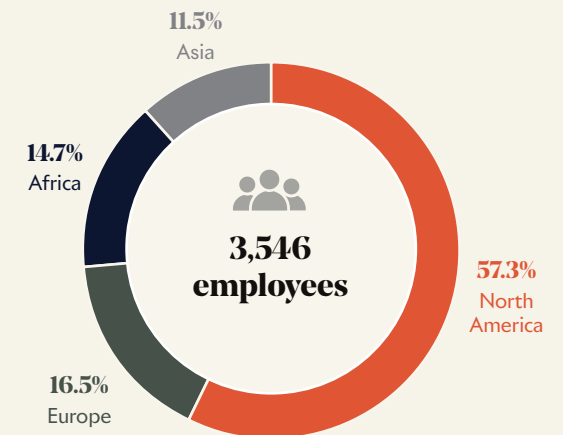
OUR PRODUCTION SITES AND OFFICES ARE PRESENT IN

8 countries

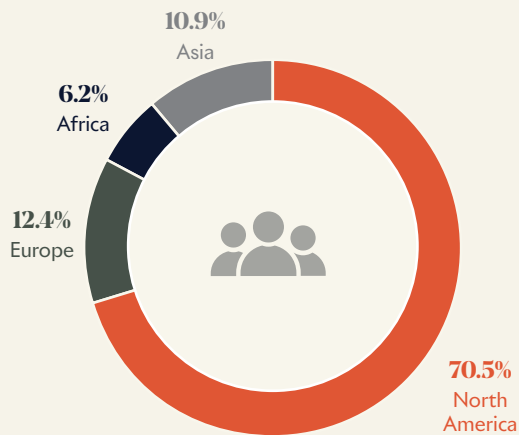
EXPANDING OUR GEOGRAPHIC PRESENCE TO

4 continents

Workforce Ending Dec Y'22



Workforce Net Promotion Rates as of Dec Y'22:



Mexico accounted for 52% of the overall internal promotions



With an internal performance and responsibility reassessment program, Pangea challenged its employees to embrace a skills transformation and adapt to new technology, digitalization of information, new leather production and advanced sales to bring a design concept to a feasible article capable of meeting our customers' evolving expectations. In turn, we recognize that our employees expect transparency that includes their contribution to our future and how Pangea supports the surrounding communities where we operate.

Together with employee representatives, Pangea continues to foster a diverse culture, in which all join forces with the same intent to build the future of the company, and where multidisciplinary teams can demonstrate and develop their talent. Abiding to local labor laws, our hourly workforce represented by organized labor unions accounted for 48% of the total employees of the company as of December of 2022. As we hear their voices, we look for opportunities, at each of our sites, for our workforce to get involved in community programs and strengthen their



relationships with our stakeholders. With management engaging employees in 2022 we were able to retain talent and show an annualized corporate turnover rate of 4.9% of the hourly personnel (*for comparison, the US industrial index shows a turnover rate across all mapped industries ranging from 5.4% to 16.9% and an average of 9.3% - praisidio.com*).

Our HR policies allow our employees to grow in a culture where results are obtained collectively. Pangea encourages employees and promotes an entrepreneurial spirit within the company through the *Global Innovation Award System* as an incubator of ideas. Employees go through periodic training on what *Lean and Innovation* means to the company and how their contributions through generating innovative thoughts and implementing simple actions can add value to their daily routine tasks, products, and services rendered.

Safety and Wellbeing



The year 2022 did carry over some of the same challenges encountered in 2021: supply chain disruptions and some government health-mandated shutdowns in addition to military conflicts across country borders. Yet, Pangea workforce put forth over 7.4 million working hours. Our operations in Europe, because of its proximity to the Ukraine-Russia conflict, added to the uncontrolled absenteeism rate raising it from a global 3.5% annual average for the year 2021 to 4.1% in 2022.

We work to provide safe, reliable, and efficient systems operations. Pangea's total recordable injury rate (TRIR) indicates that one injury is recorded for every 556,000 hours of collective work (14 recordable cases in 2022). This rate was consistent with 2021 and has been maintained 90% lower than what is benchmarked as average by the Bureau of Labor Statistics for the category of business closely related to Pangea operations (Motor Vehicle Seating and Interior Trim Manufacturer, NAICS 33636). In 2022, Pangea revamped a program dedicated to the wellbeing of all its employees, with lessons from 2021 when

dealing with a worldwide pandemic. Pangea maintained an ambitious vision of safekeeping the wellbeing of its employees to supplement their health and safety fundamental rights that contribute to making Pangea a great company to work for. In pursuit of work life balance, a collaborative work method was incorporated and applied to workspaces and functions that allows for a hybrid on-site and remote working. The goal was to offer more flexible work arrangements without downgrading the collective productivity. Policies were instituted and continuously updated in 2022 based on local public health conditions and employee sentiment. Green spaces were created at the production sites and outdoor activities promoted to the extent possible to give a sense of normalcy to our employee community.

PANGEA'S TOTAL RECORDABLE INJURY RATE IS

90% lower ♥

THAN WHAT IS BENCHMARKED AS AVERAGE BY THE BUREAU OF LABOR STATISTICS

Inclusive Environment



Pangea has always been committed to offering an equal and inclusive work environment. As set forth in our Code of Conduct, we are aligned with the vision of the UN Sustainable Development Goal of equal ease of access to resources, opportunities, and universal protections regardless of gender, including economic

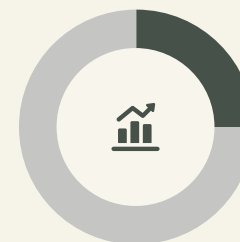
and decision-making participation in the corporate organization. In doing so, Pangea values different behaviors, aspirations, and needs equally, independent of gender or personal beliefs.

Keeping diversity at heart, we understand and promote diversity within our organization. We believe that tangible benefits are promoted, such as creativity and innovation, brand reputation and productivity when having a dynamic interaction at all levels between a diverse group. We encourage the empowerment of women in the workplace, industry and community: our management is comprised of at least one quarter of salaried positions being fulfilled by women.

With this commitment and transparency, Pangea shares its intention to continuously adopt business practices that support an inclusive workplace globally. In such a working environment, we center our focus on creating positive experiences for the customer through the full set of products and services we offer.

Workforce Dec Y'22

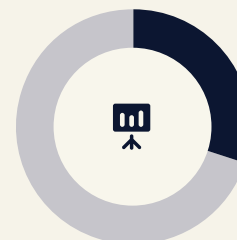
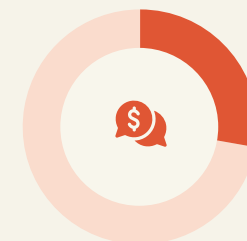
Women participation in higher management organizational positions



Finance
25%

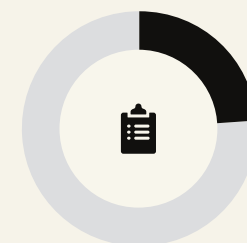
Purchasing, Supply Chain and Logistics

28%



Sales, Marketing and Design
30%

Operations
24%



The Value of Different Minds

Our employees are indeed the driving force for the sustainable growth of Pangea, not only by means of craftsmanship, but also for creating different pulses of thought and innovation. We value their feedback and place great importance on establishing a workplace where employees can demonstrate their potential and be respected.

Through our Global Innovation Dashboard we captured the number of ideas submitted, adopted and implemented in each region and the overall savings realized

Our employees are indeed the driving force for the sustainable growth of Pangea, not only by means of hands-on daily activities, but also for creating different pulses of thought and innovation.

or expected value added. For S-Innovation (initiated through a simple idea submission), 1152 idea cards were submitted and 29% were implemented generating an average gain of \$1194 per idea implemented.

Other innovative ideas are process and systems related, being repeatable and strategic and have a much higher return. In the category of R-Innovation, Pangea projected a gain of \$9.8MM in value to its services, products and operational performance.



Engagement



EMPLOYEE AND COMMUNITY ENGAGEMENT

To kickstart the year of 2022, as a symbol of hope for a better year, our team in RSA planted Spekboom shrubs indigenous to the Eastern Cape province on January 4th. This plant is resilient and long-lived, just like leather is. This initiative was not intended to be used to claim any possible environmental benefits, but as a small gesture to show their belief that things can improve and flourish in most adverse environments. The RSA National State of Disaster was only lifted in April of that year, bringing a much needed relief to those communities.

As governments from other regions started to relax their health mandates, our activities became more in person and motivated our personnel to register them through our enterprise social network server. This social intranet allowed employees and human resource departments to share experiences, accomplishments, unique awards and

community engagement peculiar to each region, activities otherwise not vividly shareable between production sites.

ENGAGEMENT WITH EMPLOYEES

On a monthly pace, regional HR publishes an in-house newsletter for the purpose of sharing information of accomplishments, awards, motivational stories, and information on corporate policies and initiatives. The newsletters are a two-way channel for regions to communicate with stakeholders and relay executive and general manager dialogues.

Training forums and KPI updates are constant on the daily interactions throughout the workplace. Our management motivates the workforce by allowing them to express their vision of the work and values they uphold, becoming more likely to select creative behaviors to solve problems in a group. Contests between departments bring joy and rewards. This was observed when groups



were asked what words would describe their values when using the name of their production site as an acronym. Our Leon Maintenance team came up with: L – loyalty to Pangea’s core values; E – engagement to customers and environment; O – ownership to new challenges, and N – notable to global best practices.

All regions performed activities, talks, and contests related to workplace safety and personal health, environmental awareness, emergency plans, waste management, gardening and own farming, and recycling campaigns. While safety talks happen at the beginning of every shift, Pangea dedicates a calendar week specially focused on efforts to create a safe and healthy culture, and the reinforcement of our sustainability commitment.

Beyond nurturing their minds and interest in their daily activities, it is also important to nurture the health of our employees.

From what started as a “lunch and learn”, an initiative from our site in Jiaxing, China, has been carried over to other cafeterias of our facilities. Balanced meals that use seasonal ingredients and are appropriate to the ambience of our production sites are now available. According to studies from the American Heart Association on food and mood, the best part is that long-term mental health effects come along having healthy meals (fruits, vegetables, whole grains, and lean proteins) keeping depression at bay and improving employee satisfaction at worksite.

ENGAGEMENT WITH COMMUNITIES

Pangea continues to promote communication with the communities where we operate, striving to build relationships of trust. Initiatives and collaboration with the supply chain in the industry and manufacturing segment joining forces with residents. We continue to be engaged in volunteering, cultural, educational, and civic activities, as well as having a focus on environmental restoration. Some proud examples are mentioned next.

“Without community service, we would not have a strong quality of life. It’s important to the person who serves as well as the recipient. It’s the way in which we ourselves grow and develop.”

– BOOKER T. WASHINGTON

In Nuevo Laredo, Mexico, in partnership with its municipal government, Pangea and the city’s Division of Parks and Gardens put hands together to restore green spaces around the city, being part of the reforestation program in which the goal is to plant 500 oak trees in various public



areas of Nuevo Laredo to improve the image of the town and strengthen actions restoring the environment.

The update of technology in our plant in Jánosháza, Hungary, created an opportunity for that site to repurpose computer monitors and assist a local primary school with 800 students, given them a better access to electronic resources.

Our employees in Nigel, RSA, organized a kids' shoes and backpack drive for a local primary school in the Gauteng East District. In a nearby community school, they also retrofitted and painted classrooms to ensure learners are educated in a clean and non-distracting environment at the start of their academic year.

In Saltillo, Mexico, our operations maintained the tradition of participating in the Recolectrón with the city's Department of Environment and Urban Spaces, as part of the celebration of the Environmental Awareness Day. Recolectrón is an initiative to collect, recycle, and dispose of appliances and electronic waste (e-waste that ceases to be of value to its user or no longer satisfy their original purpose). In total, 4.2 metric tons of e-waste were collected around the community and properly recycled at a secure and responsible disposal center.

ENGAGEMENT WITH CUSTOMERS

By adopting ethical, universal, and innovative principles of conduct in interacting with customers, we seek to make Pangea a brand that OEMs will continue to choose for their vehicle interior surfaces. Hearing directly from our customer base lets us convey their valuable opinions and requests to the relevant departments of our industry. We also engage the tier suppliers to the automotive industry and use such feedback to improve our products, make new leather design proposals, and structure a technical liaison team to address their needs.

Every so often design, commercial, and engineering groups from OEMs and tier suppliers visit our facilities and sales offices. We have recognized that the image we project and our manufacturing capabilities contribute to Pangea's overall strength in a competitive market. Customers come to us for learning tours, in which we showcase leather craftsmanship, and for assessment tours, in which we evaluate how well the production site is running and how our product is meeting their expectations. Regardless of the intention of their visit, it pays to be on top of 5S, a lean methodology for workplace organization.



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Governance



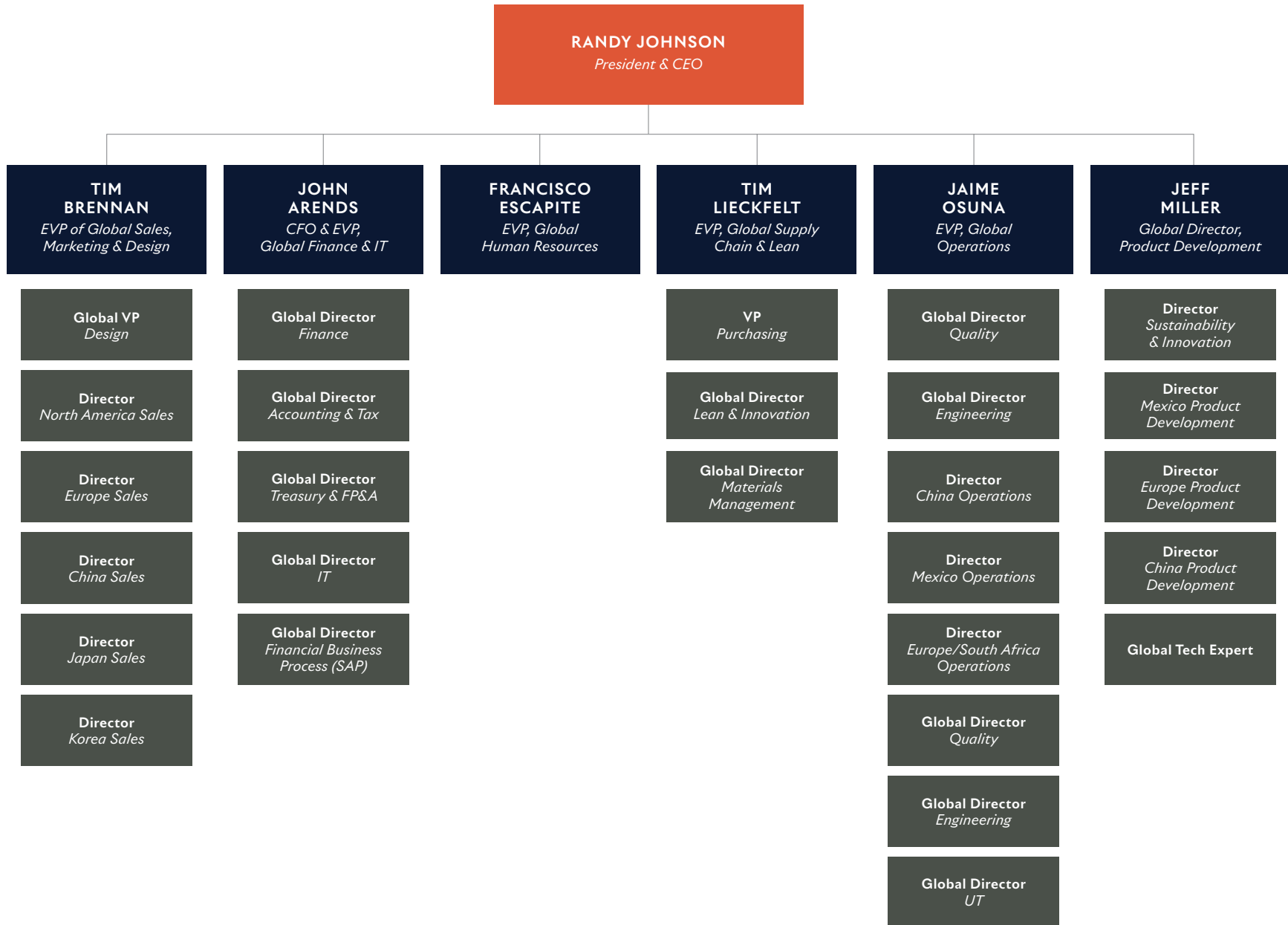
We are mindful of the ethical considerations around our business, the upcoming regulatory burden across the supply chain, and the attention given by media that not always necessarily use the correct optics.

Constantly present in our ESG framework is the goal to increase transparency and traceability across our value chain. This gives us greater oversight and control of our impacts and allows us to share our performance on identified areas for improvement at the same time that it creates corporate accountability. We are mindful of the ethical considerations around our business, the upcoming regulatory burden across the supply chain, and the attention given by media that not always necessarily use the correct optics. Nonetheless, we continuously improve our information systems to help reach our ambition of a fully traceable and transparent supply chain.

We take a forward-looking approach to governance, prioritizing a structure that includes Board oversight. Pangea has set up global management systems tracking and analyzing multiple assorted metrics and sustainability framework that provide relevant data for strategic decision-making. Information is monitored by our Board of Directors through the Executive Committee (Operations, Purchasing, Finance, and Quality) and Chief Executive Officer.

Leadership and corporate governance in parallel to strategic development have contributed to the creation of a business culture for the advancement of the Sustainable Development Goals (SDGs) that allows us to maintain and grow our industry producing the unique material that leather is. To be a sustainable company, Pangea seeks the highest transparency of its core values to display a level of ethics and servitude to our customers with measurable activities: to deploy its strategic plans over the long-term, Pangea opted for a governance structure based on a Board of Directors and the Chief Executive Officer who are responsible for the management and strategic direction of the company and a Top Executive Team (Operations, Purchasing, Finance, and Quality) to drive all implementation plans. This corporate governance system allows us to implement fundamental monitoring practices and manage risks that otherwise could have the potential of impeding us from achieving our goals in the regions in which we operate. To integrate sustainability throughout our Company, Pangea has established processes requiring formal feasibility assessment and sustainability considerations within

Corporate Governance Structure Chart





our product development and design for manufacturability. With corporate commitment, our efforts are supported by a talent management.

Working beyond the environmental aspects of sustainability, Pangea embraces the well-known United Nations Global Compact, aligning our operations and governance towards the respect and promotion of human rights, respecting the Guiding Principles and International Conventions of the UN and the International Labor Organization (ILO). Considering the interests of stakeholders in strategic or operational decisions, an ESG Committee oversees monitoring, evaluation and reporting on sustainable policies and practices, strategy, and performance. In

addition, responsibility is exercised within all management or executive functions of the Company.

Making sustainability central to decisions and actions can boost our performance and allows Pangea to improve its economic and financial efficiency by reducing costs, driving innovation, and creating new revenue streams. It also creates opportunities to safeguard the value of our assets and manage risks more effectively, whether they are social, environmental, legal, financial, or reputational. Pangea has set up global management systems tracking and analyzing multiple assorted metrics and sustainability framework that provide relevant data for strategic decision-making.

We will continue improving product and value chain transparency to help OEMs and the ultimate vehicle owners better understand the impacts of our leather products. Pangea will keep supporting the release of information that dispel misconceptions regarding the modern leather industry to correct the market path and the creation of sustainability profiles that are representative of genuine leather produced today. Collaborating with industry leaders, we can together align the significance of using leather and promote the conscience that this is a valuable animal substrate that otherwise would be discarded in raw and end up with higher GHG emissions impact than having it processed as leather.

In favor of a diverse dialogue, our respect for collective bargaining agreements, social responsibility, and the right to privacy is expressed and safeguarded in non-discrimination and anti-harassment policies that are broader in language than regional minimum legal requirements. Pangea is firmly committed to respecting and supporting human rights in all our activities,

and in all localities in which we operate. This commitment extends throughout the entire value chain, as described in our *Sustainable Procurement, Supply Chain, and Supplier Code of Conduct Policy*. In summary, as a global leather company with an extensive supply chain, Pangea's commitment to human rights calls for high standards that protect our workers, enhance our corporate integrity across the organization and surrounding communities, and provide effective grievance mechanisms to employees and stakeholders. We require all suppliers and business partners to sign and adhere to the standards of conduct set forth in our *Code of Business Conduct and Ethics and our Supplier Code of Conduct*. This includes compliance with and the aspiration to go beyond the minimum requirements and international standards.

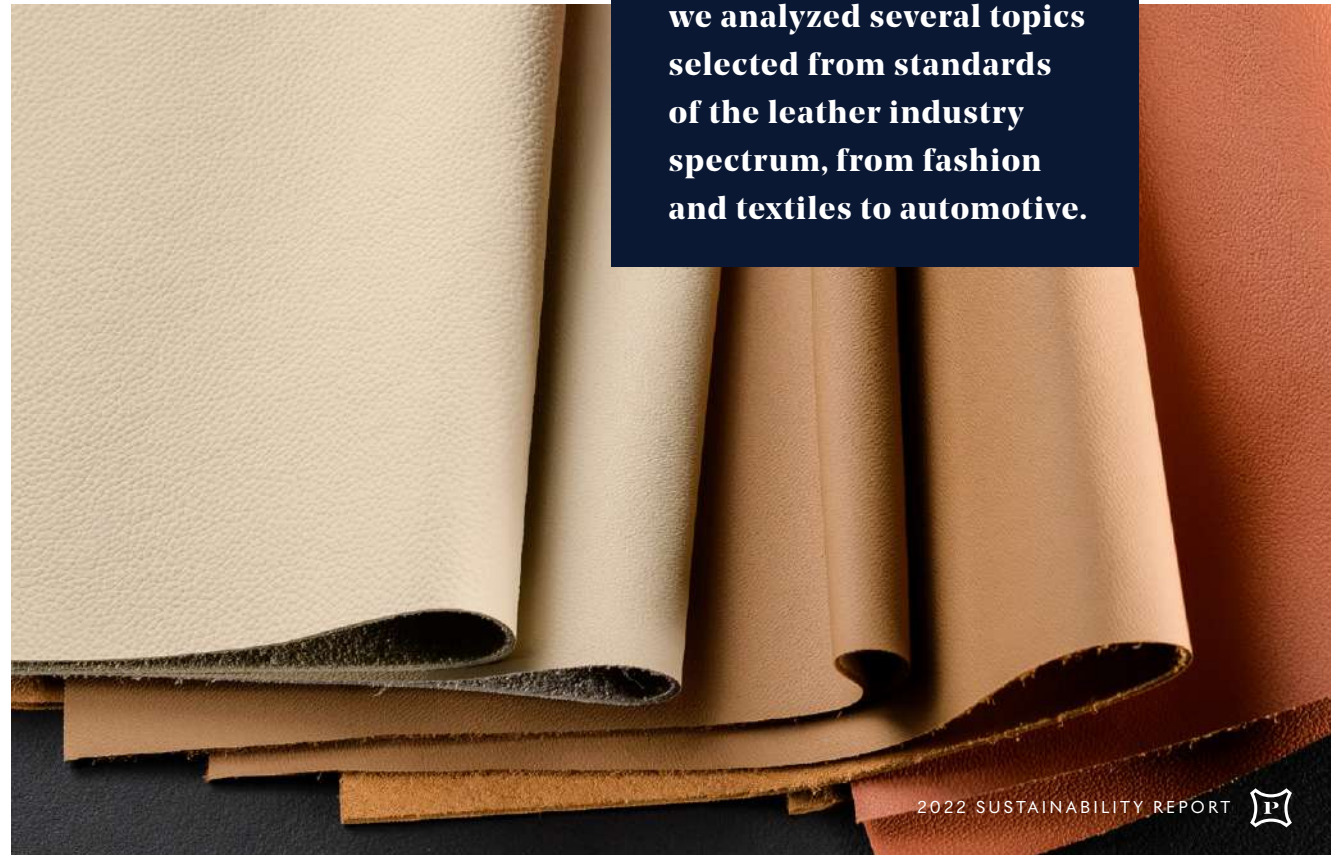
To assess the accuracy of our ESG approach and what metrics are relevant to our business, we analyzed several topics selected from standards of the leather industry, from fashion and textiles to automotive. This assessment took into consideration internal and external

stakeholder priorities based on customer and employee engagement, our past ESG disclosures, peer and sector benchmarking, new regulatory requirements, and overall media coverage of the leather industry. We identified risk areas based on internal subject matter expertise and dialogue with main stakeholders.

A preview of this materiality assessment is herein disclosed while we work on its completion in 2023 and focus our reporting

on sustainability-related information that is useful to our organization and primary customers: identify critical economic, environmental, and social issues over which we have direct impacts or that have a significant risk to our business performance and long-term value creation.

To assess the accuracy of our ESG approach and what metrics are relevant to our business, we analyzed several topics selected from standards of the leather industry spectrum, from fashion and textiles to automotive.



Macro-Risks, Challenges and Opportunities

Macro-risk	ESG Challenges / Opportunities	Definition used in the assessment	Material topics
Bringing a tangible impact on the environment	Industrial site carbon footprints, GHG emissions and climate change relationship	Management of direct and indirect emissions of greenhouse gases (GHGs) and emission reduction targets to limit Pangea's contribution to climate change.	<ol style="list-style-type: none"> 1. Emissions 2. Water use 3. Material consumption 4. Energy 5. Waste output 6. Animal welfare 7. Deforestation
	Energy management and transition to renewables	Management of energy consumption, production, energy grid diversification and offsets associated with the environmental and social impact from energy use, to be less reliant on fossil-fuel.	
	Waste management	The practices implemented to control materials used or disposed of in operations and circularity approaches to minimize the burden to health or the environment.	
	Environmental impact	Our operational impacts that affect the protection of land, forests, and biodiversity resources.	
	Deforestation	How relatable is our supply chain to issues contributing to deforestation and our actions to improve traceability and forest conservation.	
Being fair and equal, ensuring protection of human rights and supporting a balanced supply chain	Sustainable procurement and responsible consumption of materials	Our ability to promote sustainable sourcing, consumption, and production routes and maintain an interactive communication with suppliers on these matters.	<ol style="list-style-type: none"> 8. Responsible sourcing 9. Health and safety 10. Working hours 11. Fair compensation 12. Forced and underage labor 13. Freedom of association 14. Anti-discrimination 15. Inclusion and diversity 16. Equal rights 17. Access to livelihoods 18. Continuous training 19. Sense of community
	Human rights	The fundamental rights and freedoms inherent to all of us and the global policies, measures, and actions necessary to uphold these rights.	
	Labor practices	Employment practices regarding the internal and contracted workforce throughout the value chain, our compliance with regulatory regimes and internationally accepted labor standards in the workplace (labor rights, accessibility to benefits, and fair compensation).	
	Workforce management	How we ensure workforce functions at its most productive levels throughout organizational changes, including employee recruitment, retention, and skill development programs.	
	Employee health and safety	Safety performance and the mechanisms in place to maintain a safe and healthy workplace environment (protocols, training, work arrangements, and the physical and mental working conditions to which employees are exposed).	
	Community and employee engagement	The relationship between us and the communities in which we operate, including engagement mechanisms, outreach and community contributions, volunteering, and impact on local communities.	
	Employee diversity and inclusion	Processes and mechanisms in place to grow and maintain diversity in the workforce and ensure equal opportunities and treatment for all employees.	

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Macro-Risks, Challenges and Opportunities

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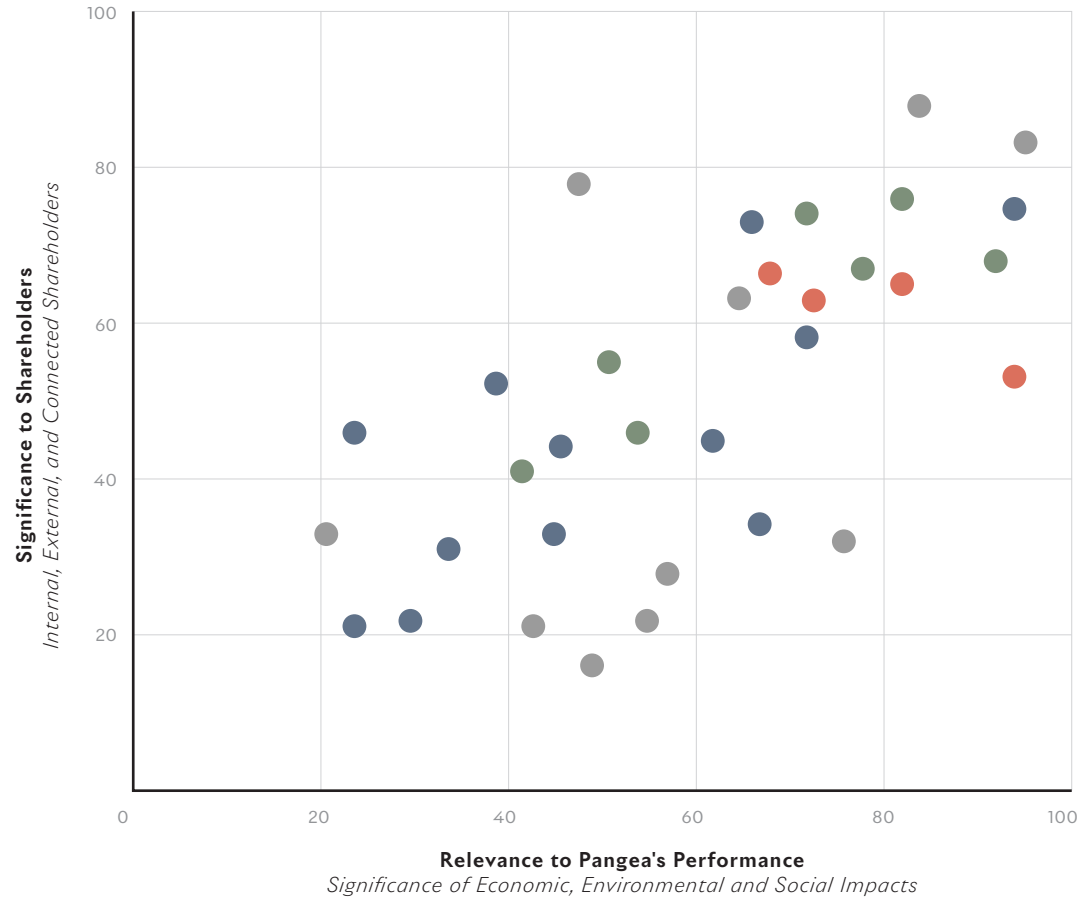
Macro-risk	ESG Challenges / Opportunities	Definition used in the assessment	Material topics
Upholding high standards and ethics in governance and business practices	Business model resilience	How we identify and manage risks and opportunities connected to ESG challenges. This includes how Pangea responds and adapts to these challenges to carry on its business, profitability, growth, and create value for stockholders and customers in the long term.	20. Profitability 21. Public policy 22. Ethical business 23. Anti-bribery 24. Data privacy 25. Supplier score 26. Fair trade 27. Marketing and authentic labeling 28. Board communication 29. Access to information
	Competitive behavior	Our practices to compete and not restrict free trade between commercial partners in a market, including anti-competitive behavior and protectionism. This includes protection and infringement of intellectual property rights.	
	Customer engagement	Management of the dynamics of client expectations that affect satisfaction, loyalty, and brand reputation, as well as the mechanisms to ensure clients are treated fairly and honestly during commercial transactions	
	Customer privacy and data security	How we manage information technology related to protecting private information, critical information systems, and networks from security breaches	
	Selling practices and product marketing	The requirements, standards, certifications, and established practices regarding the information presented to potential clients when designing, advertising, and selling services.	
	Transparency	Our comprehensive management of corporate communication through recording, reporting, and the flow of information and analysis of corporate developments and performance to equity holders and how accurate and complete the information is presented to clients and our employees.	
	Corporate ethics	The moral code of conduct and guiding principles to the strategic and operational management of our business. This includes the management of risks and opportunities associated with ethical considerations, lawful behavior, and compliance practices.	
	Corporate governance	The mechanisms, procedures, and rules concerning a company's internal control, supervision, reporting, and decision-making systems.	
Being at the forefront of development that adapts to changes in market and to new customer expectations	Management of the Legal & Regulatory Scopes	Regulatory compliance strategy and how we engage and align ourselves with regulators to make public and corporate interests compatible. This includes corporate compliance management, government relations, as well as responsible tax planning.	30. Innovation 31. Customer engagement 32. Due diligence 33. Compliance
	Innovation and technology	The development and use of advanced technologies and innovations to generate new business processes, advanced materials, edgy design and improve clients' and other stakeholders' experiences with our products and services.	



Materiality Map



ESG Topic Materiality Matrix



**For preview only. Full assessment to be launched with the 2023 report.*

Global Code of Conduct



Our sustainability efforts are also based on all employees' ability to carry out their tasks with a high level of integrity. The foundation of Pangea's Code of Business Conduct and Ethics is based upon conducting business as a respectable corporate citizen in strict compliance with the laws of the jurisdictions in which it does business, promoting a working environment which allows its employees to practice and maintain high ethical standards.

Other corporate statements supplement this Global Code of Conduct to boast decision-making, personal information management, information security, bribery and corruption, use of social media, and customer privacy.

In summary, the Global Code of Conduct cares for:

- 01 Complying with all laws and regulations
- 02 Promoting safety and wellness
- 03 Avoiding conflict of interest
- 04 Preserving company assets
- 05 Being impartial and acting with fairness
- 06 Being transparent and accountable
- 07 Valuing diversity and providing equal opportunity
- 08 Being environmentally responsible
- 09 Being active towards the Code of Conduct

Internal Governance

Our sustainability efforts are also based on all employees' ability to carry out their responsible tasks with a high level of integrity. Our cross-functional teams achieve this integrity through strong process, compliance, people, and investment tools.

We expect our consultants, contractors, suppliers, vendors, and business partners to adhere to standards of conduct consistent with our Code of Business Conduct and Ethics and our Supplier Code of Conduct when conducting company-related business activities.

▶ **Audit and Compensation Committee**

Pangea has a designated all-encompassing Fair Compensation Committee that ensures compensation plans are aligned with its strategy and focused on key drivers of its performance while understanding expectations of equity holders.

Our Audit Committee oversees compliance with legal and regulatory requirements at the regions where we operate and as a supplier to the customers we service, as well as internal risk assessment and audit functions that monitor the wellbeing of the company. Our commitment to ESG requires strong Board engagement, which interactions has led to the benefits and productivity we see today.

▶ **CapEx Management**

CapEx represents the long-term investments in the business. Recognizing the value of sustainability to our growth, this system provides capital for projects proposed by our manufacturing plants, through and executive approval process. In 2022 we invested over \$3.3M in projects related to data integrity, manufacturing process efficiency, workplace health and safety, and equipment technology updates.

▶ **Global Code of Conduct**

All policies and guidelines are available online via a corporate interweb and translated to the local language as needed, to ensure across-the-board understanding, making sure all employees are fully aware of our policies and able to act appropriately when faced with compliance issues.

▶ **Hiring Matrix and Ethics Hotline**

When uncertainty as to proper conduct being followed, any concerned person can either gain counsel from their direct supervisor or access the anonymous Ethics Hotline, which is available in multi-lingual menu.



Supplier Management and Sustainable Procurement

At Pangea, we are dedicated to contributing to society and the improvement of the environmental and social impacts of our operations by evaluating the whole life cycle of genuine leather products. Pangea's intent is to maintain a high level of sustainability within its operations, while encouraging all stakeholders to follow suit.

For Clients	For People	For Workplaces	For Communities
<i>Pangea expects suppliers to...</i>	<i>Pangea expects suppliers to...</i>	<i>Pangea expects suppliers to...</i>	<i>Pangea expects suppliers to...</i>
<ul style="list-style-type: none"> ...understand the goals and priorities our clients and services in a manner which is compliant with and/or contributes value ...minimize their impact on the environment via resource conservation, emission mitigation and sustainability best practices (personnel, equipment, products and procedures used) ...deliver smart, forward-thinking and value-enhancing solutions at every opportunity 	<ul style="list-style-type: none"> ...provide a culture of safety ...follow national minimum wage requirements and adhering to Fair Wage and Living Wage requirements ... ensure effective systems and procedures are in place to eliminate Modern Slavery ...be committed to the health and well-being of their staff and in the safety of goods and services provided ...promote Diversity & Inclusion by embracing diverse background and skillsets in their workplaces 	<ul style="list-style-type: none"> ...actively reduce the carbon footprint of their products or services and provide energy/ carbon efficiency options ...demonstrate climate resilience of their operations, goods, and services to ensure client needs are met ...understand and reduce waste, water, the life cycle environmental impacts of their products and services and working towards circular economy 	<ul style="list-style-type: none"> ... demonstrate positive social impact and responsible procurement practices ...support community engagement ...promote professional skills development through employee training and offering employment to the local community ...commit to strong principles of business ethics, ensuring compliance to regulatory requirements

Deforestation and Supply Chain Traceability



Our extended global supply chain involves cattle farming, which is a focus of attention of regulations aiming to limit and prevent risks of deforestation and land degradation. In line with the due diligence and accountability frameworks that surrounds the beef industry from where the supply of cattle hides has its origins, otherwise discarded, Pangea outlines the following expectations for our supply base and defines deforestation as the conversion of a natural forest or other natural ecosystem to agriculture and livestock production, or other land uses causing sustained degradation of a natural ecosystem (biome).

We expect new and existent suppliers to be able to meet the following guidelines to prevent deforestation from a specific cut-off date set by governmental and market upcoming legislations (EUDR 2024 and 2025) and available satellite imagery delineating farmland and

forestry boundaries: all raw, tanned, or crust hides supplied to Pangea must be from deforestation-free areas, sourced legally, and with available supply chain transparency.

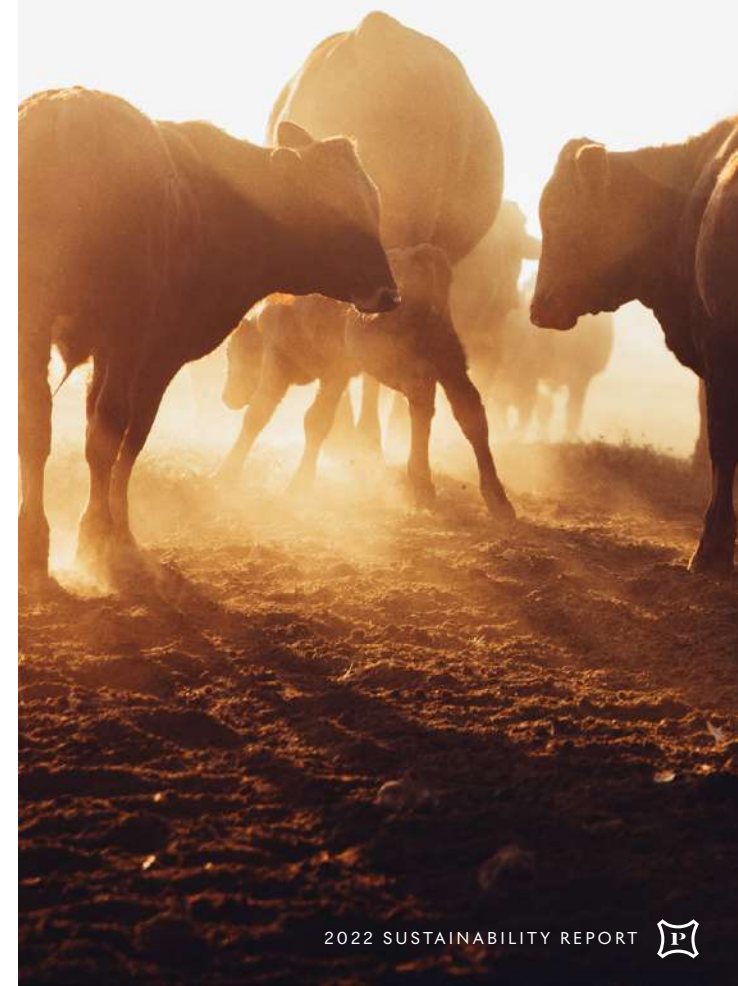
We are working to expand our deforestation-free requirements to new suppliers, utilizing certifications where they align with our requirements and elaborating more detailed specifications and sharing best practices where needed. We are making strategic choices on how best to adapt our supply chain to upkeep manufacturability and on-time productivity to support the automotive industry and maintain compliance with all customer requirements and ruling legislations that affect the cattle industry. Pangea intends to map from its supply base the possible risks and drivers of deforestation from sensitive biomes, predominantly in South America, that could be addressed with current technological

and monitoring initiatives already in place by the exporting beef industries. We aim at identifying opportunities to simplify our supply base to increase the effectiveness of monitoring and traceability and continue working only with hide suppliers that align with our requirements.

It is expected that deforestation and conversion-free legislation (EUDR) will limit leather sourcing to that market if legislation is formally adopted by the Council of the European Union in 2023. This could be considered a capricious act that focuses on the 1% of the overall live cattle value, when comparing the average market prices of raw hides to the beef and offal in 2022. Nevertheless, our communication with hide suppliers in South America indicates that they are ready with sector-wide satellite-

We aim at identifying opportunities to simplify our supply base to increase the effectiveness of monitoring and traceability and continue working only with hide suppliers that align with our requirements.

based monitoring processes to verify ranchers' compliance with deforestation and traceability. They have also indicated the establishment of processes to rectify instances of deforestation in their upstream supply by engaging, suspending, or removing suppliers that do not revert back into compliance after notification of non-conformity to deforestation-free requirements. This also includes reforestation or restoration of affected areas as possible solutions.



Animal Welfare

Animal welfare is concerned with the well-being of the cattle and complements the objectives of beef assurance systems that demonstrate the production of safe beef to consumers and food chain stakeholders. Since the beginning of the development of animal welfare standards by the World Organization for Animal Health (WOAH, founded as OIE), regional and international organizations ensure that private-sector standards (including commercial standards) meet the goals and evolving guidelines of such welfare code, and that the five basic animal freedoms should underpin on farm animal welfare best practice.

Five basic animal freedoms:



Freedom from hunger and thirst

by ready access to fresh water and diet to maintain health and vigor.



Freedom from discomfort

by providing an appropriate environment including shelter and a comfortable resting area.



Freedom from pain, injury or disease

by prevention or rapid diagnosis and treatment.



Freedom to express normal behavior

by providing sufficient space, proper facilities and company of the animal's own kind.



Freedom from fear and distress

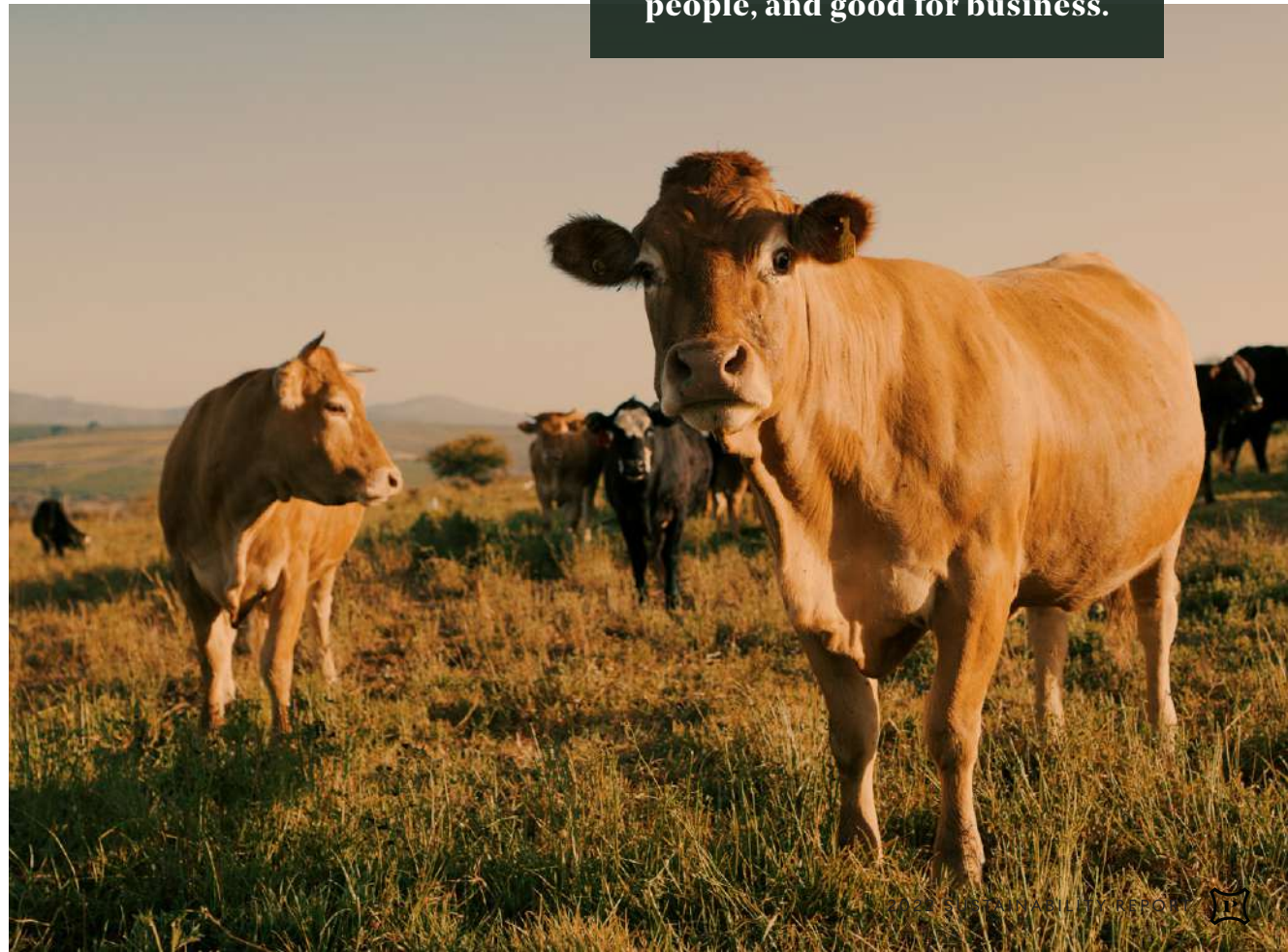
by ensuring conditions and treatment which avoid mental suffering.

Cattle farming and safe-beef practices, of countries we source from, take into consideration their cultural and economics particularities, and compliance to export markets. Beef producing countries have developed animal welfare policies and governance structures that involve training, advice, and research and analysis on the strategies implemented, and as such, we embrace the work done by WOA, and expect our supply chain to continue adhering to:

- Guaranteeing the implementation of the WOA/OIE Animal Welfare Standards into their commercial farming and practices
- Disseminating and promoting the concept of animal welfare throughout their value chain through the effective coordination, communication, education and the capacities building.
- Achieving sustainable improvements in animal welfare, based on the development of regional and updated international research.

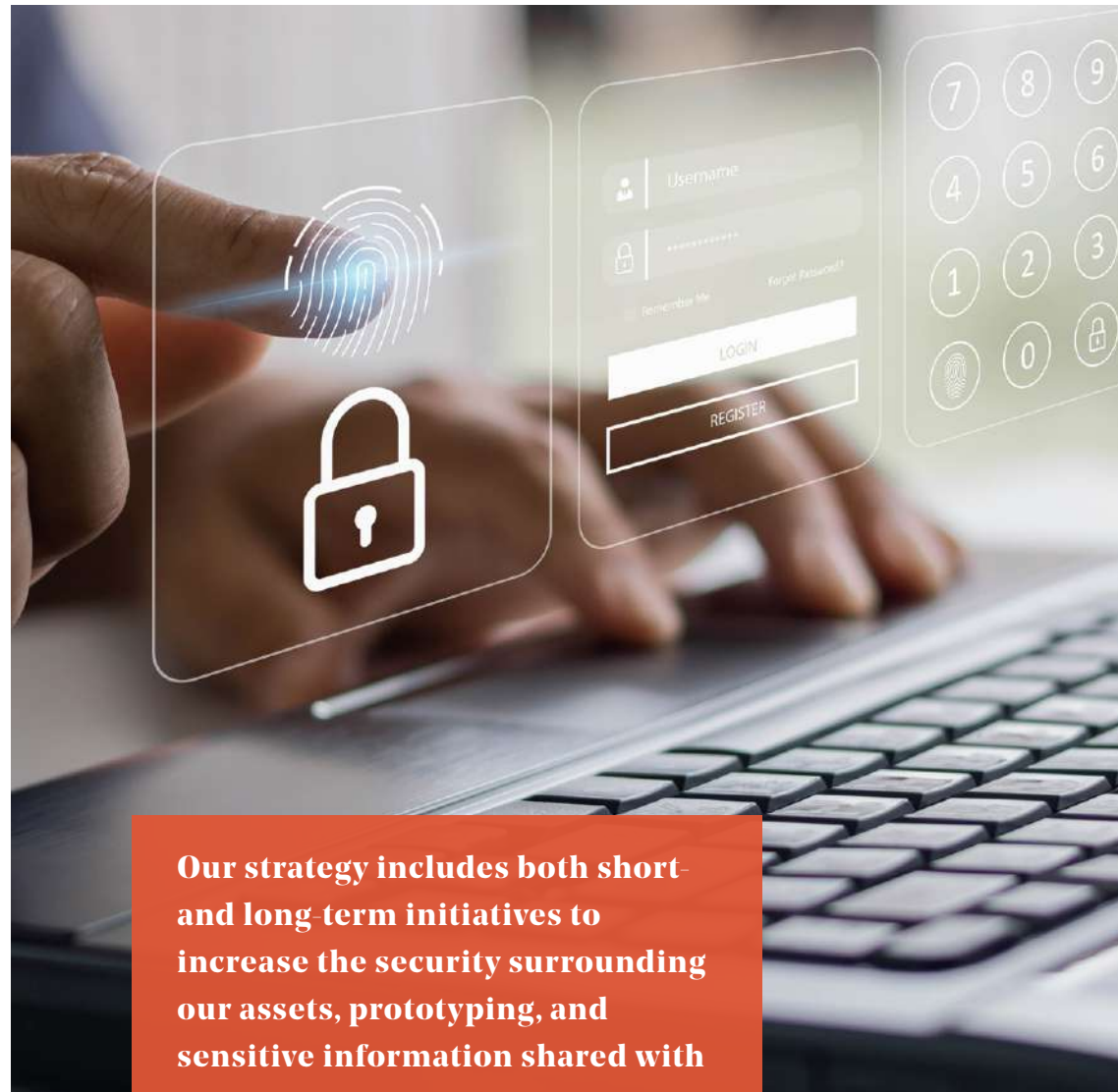
- Developing sustainable mechanisms for coordinating and promoting animal welfare programs, in connection with indirect suppliers throughout the cattle life.
- Establishing partnerships with the stakeholders with the aim of facilitating the implementation of WOA/OIE Standards.

Our suppliers take pride in being an essential part of original and effective animal welfare certification programs available that are good for animals, good for people, and good for business.



Data Security and Information Management

Our strategy includes both short- and long-term initiatives to increase the security surrounding our assets, prototyping, and sensitive information shared with our customers. This is supplemented using third-party threat monitoring and rigorous security protocols that involve regular vulnerability assessments. Employees are required to participate in regular training campaigns of cyber security designed to assist with safeguarding of data and information.



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Industry Governance



Contributing to the advancement of the leather industry with its regard to the automotive sector, Pangea participates in supply chain and sustainability rating platforms that use evidence-sharing, by means of uploading specific policies, documents, reporting and audited results. Two platforms are of interest to our automotive customers:



NQC Supplier Assurance, in which we obtained a Sustainability Score above 80% for all production sites and obtained a Minimum Scope Rating “B” on NQC’s scale from A to F in its new SAQ 5.0 - Sustainability Assessment Questionnaire. This platform evaluates our company management, human rights and working conditions, health and safety, business ethics, environment, responsible supply chain management and topics related to responsible sourcing of raw materials.



EcoVadis, in which our graded facilities were considered top 25% tier (Silver) across the automotive industry in terms of sustainability management systems and non-financial global performance. EcoVadis focuses on four key performance areas: 1) environment (impact from the production processes, energy consumption, water, biodiversity, local and accidental pollution, GHG emissions), impact from product use, and end-of-life); 2) labor and human rights (human resources management, accident prevention, staff training, working conditions, social dialogue, respect for labor laws, diversity, anti-discrimination); 3) ethics (anti-corruption, anti-competitive practices, and information management responsibility), and 4) sustainable procurement (supplier environmental and social practices).

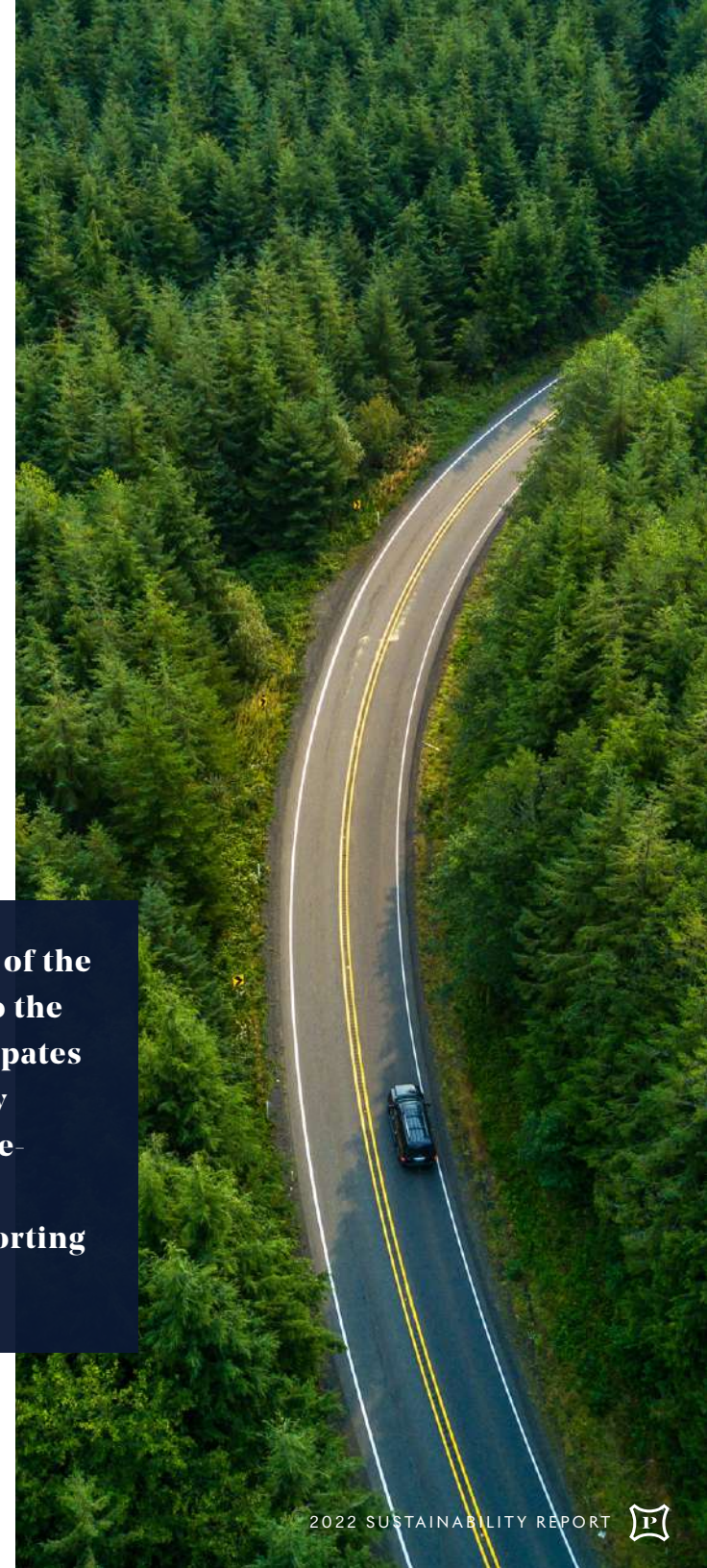


Particular to our industry, certification via Leather Working Group (LWG) brings a reward to those organizations that champion best environmental practices in the leather industry. The scope of the certification work for Pangea focuses only on retanning and finishing operations (cutting operations are outside the of audit scope), with all inputs and material traceability needed in the leather making. Since 2021, our Nigel (RSA) facility has retained a Silver rating and is preparing itself for a Gold rating at the LWG audit revalidation in 2023. Jiaxing, our China operations, obtained its Gold certification in Q4 of 2022. Corporate commitment is to complete the audits for all applicable sites and be awarded a LWG Gold rating for all retanning and finishing facilities in 2023.

By participating in these supply chain sustainability platforms, compliance and

risk analysts check what Pangea has to offer and what is presented as evidence. Analysts then identify and report possible gaps for improvements in comparison to industry standards or new customer expectations regarding sustainability. It is a way to measure us in terms of how efficient our sustainability approach is and keep us in movement to continuously improve it. Pangea expects the industry trends and rating criteria to always push for improvements of our own processes, policies, our practices and those of our supply chain.

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Leather Leadership and Industry Relations



Leather Working Group (LWG) is a global multi-stakeholder community committed to building a sustainable future with responsible leather.



The Sustainable Leather Foundation (SLF) believes ESG responsibility is essential in today's leather industry and our aim is to support all stakeholders to learn, improve and protect for future generations.



One 4 Leather is an expert group dedicated to strengthen the positive image of leather for automotive purposes by education and inspiring the general public and the industry. Based in Europe, O4L has a global voice.

We Stand United for Sustainable Leather Manufacturing

LEATHER AND HIDE
COUNCIL OF AMERICA

The Leather & Hide Council of America promotes quality US leather as the leather of choice, both at home and overseas, working with stakeholders from producer groups to buyers, from fashion houses to end consumers.



- NOT STARTED
- IN PROGRESS
- PASSED
- PASSEDPUS

By mapping our existing certifications onto SLF's Transparency Dashboard alongside their audits, we are able to generate an instant snapshot of our sustainability performance in a simple way accessible to customers. This enables transparency in the value chain and a better understanding of our sustainable good practices. Displayed is the example from our operations in Mulheim, Germany, showing the essential pillars of Environmental, Social, and Governance.

Illustration: SLF Dashboard for our operations in Mulheim, Germany.

“Converting a waste product into a luxury article is the poster child for sustainability and environmental stewardship; as we weave in the word ‘sustainable’ into leather nomenclature, leather is already the ultimate example of sustainability.”

– RANDY JOHNSON, PRESIDENT & CEO

Pangea is active in the automotive supply chain and champions leather as a high-value, renewable material for vehicle interiors. We are dedicated to strengthening the positive image of leather. In partnership with One 4 Leather, an expert group of manufacturers and suppliers, we are generating online campaigns curating information for the general public and the industry with fact-

based insights about leather. Collectively, “we believe that consumers and industry professionals deserve full disclosure and verified information.”

With the same intent of providing transparency and integration throughout the leather value chain, we have engaged with the Sustainable Leather Foundation and had our production sites subjected to a social responsibility audit by SLF. Results from their assessment guaranteed that we are on a correct path toward the ES&G responsibility that is essential to the leather industry.

Reaching out beyond the automotive world is a way to promote the leather industry as indispensable, cementing a critical mindset against misinformation. On June 22, 2022, our President and CEO, Randy Johnson, was the keynote speaker at the 61st John Arthur Wilson Memorial Lecture during the 116th American Leather Chemists Association (ALCA). His lecture, titled “The Road Ahead”, called upon the industry leaders and leather associations to promote the truth facts about leather and share our knowledge. The work we do within this industry, and collectively by association, forms the foundational content of our ability to compete in the market. Randy stated, “converting a waste product into a luxury article is the poster child for sustainability and environmental stewardship; as we weave in the word ‘sustainable’ into leather nomenclature, leather is already the ultimate example of sustainability.”

Closing Remarks

At Pangea Made Inc., our collective sustainability vision is a driving force for our global products built with respect to our customers, imagined by our diverse culture, and enriched by the communities around us.

Pangea is proud of the work accomplished in such short timeframe and offers this report on a voluntary basis. Our annual Sustainability Report addresses performance, strategy, policies, goals, programs and initiatives for the global leather operations under our brand. This is complemented by supporting web content and sharing metrics, how we identify and update them, and the boundaries of each issue.

To ensure we fulfill that purpose and deliver on our promises, we challenge ourselves to evolve so we can seize new opportunities, reach new customers, and add value to authentic leathers we make daily. Sustainability will remain integral to our ability to accomplish these objectives and this work would not be possible without the contribution of our skilled technical and passionate team members across the world.

Conscientiously prepared by skilled technical and passionate team members across the world.



Analyzed and annotated for report formatting by Roger Pinto, Director of Sustainability & Innovation.

Sustainable Reporting Timeline





PANGEA

2022 Sustainability Report