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Sustainability  
Report

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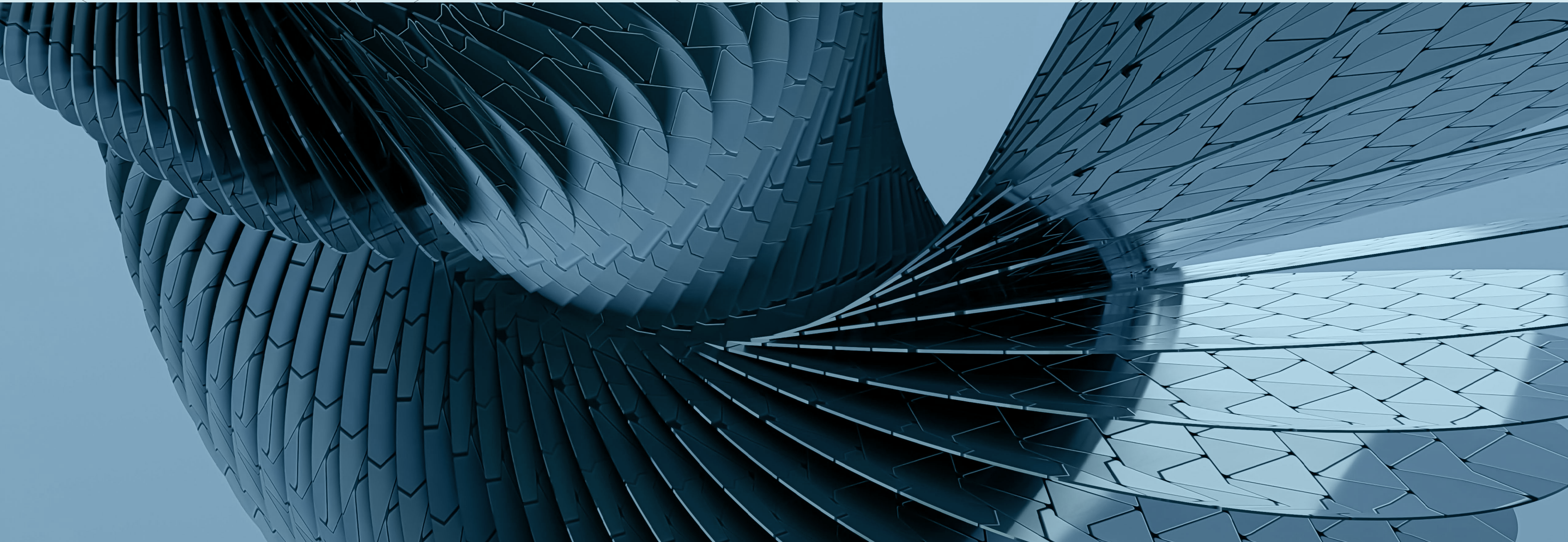
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# Introduction

Ultrafabrics offers a growing portfolio of hundreds of versatile materials that combine premium aesthetics, sensorial tactility, and functionality to deliver the highest quality material of its kind. We're shaping the future of high-tech performance fabrics where sustainability is built in. Beauty, comfort, performance, sustainability – there's no need to compromise.

## Letter from our CEO and President

Dear Ultrafabrics customers, partners, and stakeholders,

2022 was a significant year for sustainability around the globe and here at Ultrafabrics. The world continued to experience increasingly extreme climate impacts from record heat waves and droughts to severe rainfall and hurricanes, while the share of carbon dioxide in the atmosphere continued to rise. The IPCC's 6th report, released earlier this year, warned that the window of opportunity to secure a sustainable and livable future is closing rapidly. Despite these dire consequences and warnings, 2022 was also a year of progress. At the COP27 meeting in Egypt, world leaders agreed to create a historic loss and damage fund that will provide financial assistance to poor nations harmed by climate change. In this context, we doubled down on our commitment to reducing our impacts on the climate, setting a target to reduce our emissions 42% by 2030. While we've decreased our emissions intensity year over year the prior two years, we are committed to doing our part to slow the impacts of climate change by reducing our absolute emissions.

As the world, and our business, moved forward from the COVID-19 pandemic, we built on our sustainability progress from last year. We reorganized the Sustainability Committee to cover the entire Ultrafabrics Group, deepening our commitment to ESG. The Ultrafabrics Sustainability Committee oversaw significant progress on several of the targets we set last year: 1) 51% of



Ultrafabrics products sold to furniture, healthcare, recreational vehicle, marine, aviation, and accessories markets already have at least 50% rapidly renewable and/or recycled materials; 2) we achieved our water reduction target reducing water use intensity by 20% from a 2020 baseline and will continue to closely monitor and optimize our water use to maintain this reduction; 3) as of 2022, the Ultrafabrics product portfolio is 100% PFOA-free. And to further our commitment to safer chemistry, we will remove PFAS from all products in the Ultrafabrics portfolio by 2025.

At Ultrafabrics, we're dedicated to uniting high-performance functionality, maximum comfort, and sustainability-focused innovation in the creation of our products. In 2022, we were excited to see the Ultrafabrics product portfolio included in the Design for Health™ library by MindClick and announce that our Ultrafabrics branded product portfolio performs the highest in our category for hydrolysis performance testing.

As we look to the years ahead, we're energized by the steps we're taking to progress along our sustainability journey. We are grateful for the collaboration of our value chain partners as we collectively strive to build a more sustainable industry and are excited to update you on our efforts in our third sustainability report.

Danielle Boecker-Primack, President,  
and Clay Rosenberg, CEO

# ESG Strategy

Ultrafabrics is known for our portfolio of premium products that are engineered to last. We are proud to have been committed to social consciousness and sustainability since our first product launch over two decades ago. Our tagline, "Touch the Future®", is a promise to our clients that we will always innovate and evolve with people and planet in mind and pioneer more sustainable materials without sacrificing incomparable comfort and superior performance.



## Key Strategic Themes

Our ESG strategy is rooted in three key themes:

- 01 Product Quality and Health
- 02 Material Innovation
- 03 Transparency and Accountability

These focus areas drive toward our vision of creating innovative materials that protect and conserve our greatest resources while stewarding industry-wide change in social and environmental responsibility.

## 01 Product Quality & Health

Product quality is a key element in the Ultrafabrics strategy and an important differentiator of our brand. We carefully guard our reputation for materials that deliver a familiar, comforting feel for end-users while being designed to last. We are building on this reputation through our commitment to safe chemistry, ensuring that the way our products are manufactured and used protects both human health and the environment.

## 02 Material Innovation

Material innovation is a fundamental tenet of the work we do. This positions us to not only be more sustainable but also sets us apart from our competitors. We focus our capacity for innovation on designing materials and manufacturing processes along sustainability best practices. This includes recovering and conserving materials, water, and energy as well as adopting circular economy principles and developing innovative products.

## 03 Transparency & Accountability

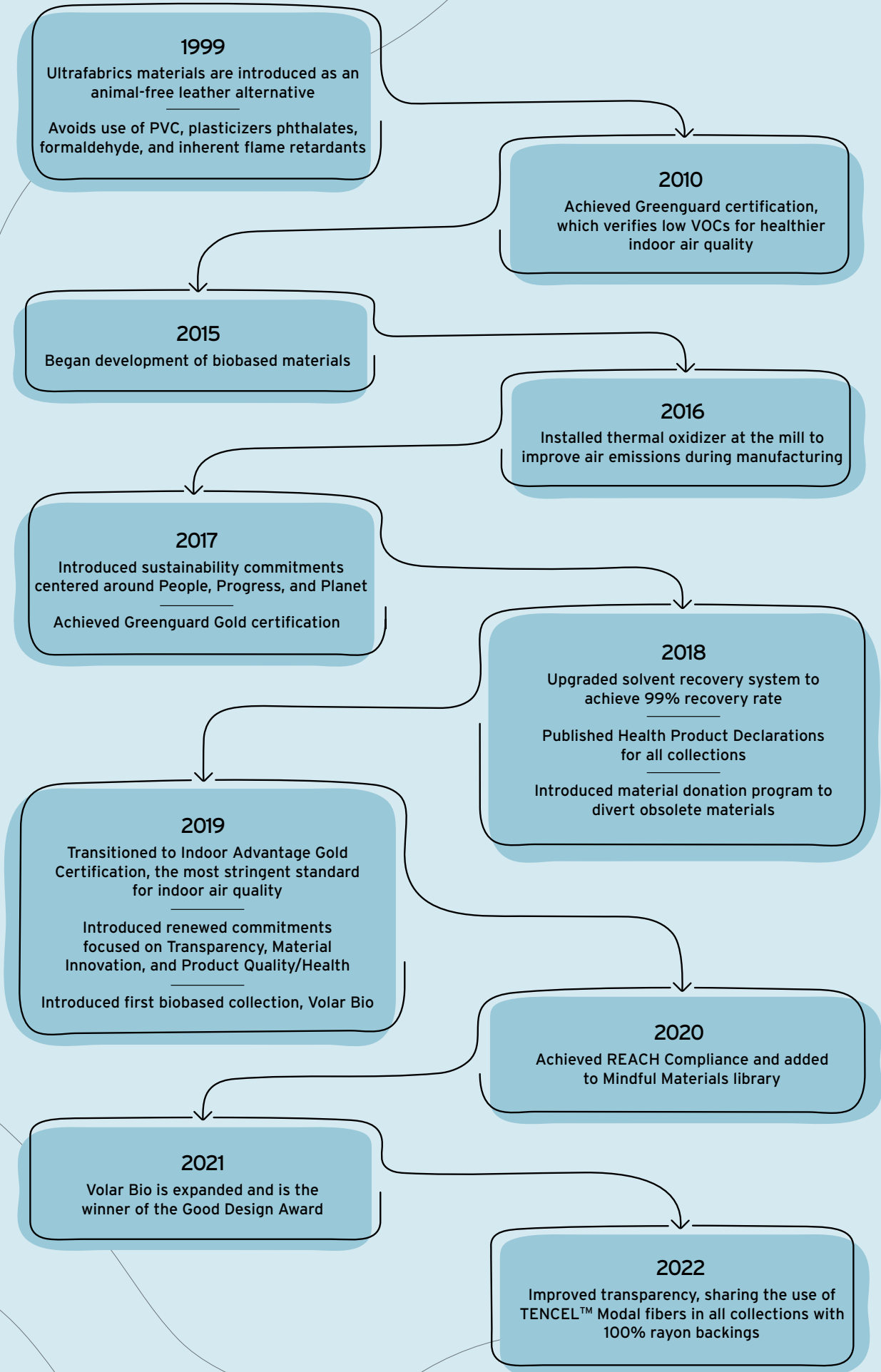
Transparency and accountability are key to achieving our sustainability goals overall. We are continuing to engage employees and our local communities to build an inclusive working environment that supports wellness and growth for all employees and enables a culture of sustainability. Within our supply chain, we are increasing environmental sustainability, social responsibility, and transparency. We will continue to report consistently against the targets and KPIs described in this report.

# Long-Term Commitments & Targets

Ultrafabrics is in a unique position to drive sustainable change across key global industries, providing materials to companies in sectors with significant environmental and social impacts on the planet. Through our progress, we support these industries' transition to a low-carbon, circular future as well as push our own industry to be a more resource-respectful one.

## Sustainability Journey

By engineering animal-free fabrics that perform better than animal-based alternatives and limiting harmful VOCs, we set the course for a change in the highest quality upholstery materials being offered to the automotive, aviation, and furniture industries.



# Targets

Ultrafabrics continues to drive impact through our long-term commitments. Last year, we introduced four key targets in material innovation to drive toward a low-carbon and circular future. This year, we're introducing two new targets:

- We're excited to announce that this year we've set a science-based target to reduce Scope 1 and 2 emissions 42% from a 2021 baseline by 2030.
- To further our commitment to safer chemistry, we will remove PFAS from all products in the Ultrafabrics portfolio by 2025.



## Theme

### Product Quality & Health

- **Goal** Remove PFAS from all products in the Ultrafabrics portfolio
- **Target Date** 2025
- **Progress** New Target – 90% Achieved

### Material Innovation

● <b>Goal</b>	Reduce Scope 1 and 2 emissions 42% from a 2021 baseline	All Ultrafabrics products sold to furniture, healthcare, recreational vehicle, marine, aviation, and accessories markets have at least 50% rapidly renewable and/or recycled materials	Uf Select portfolio and applicable transportation-grade materials have at least 50% rapidly renewable and/or recycled materials	Reduce water use by 20% from a 2020 baseline as a percentage of yards produced	Maintain 3% or less waste intensity – meaning that 3% or less of the yardage we produce each year goes to landfill or is recycled
● <b>Target Date</b>	2030	2025	2030	2025	Ongoing
● <b>Progress</b>	New Target	51% Achieved	Target Set	Achieved	3.46%

## Partner Spotlight

Employee well-being is an important consideration for Ultrafabrics and our clients alike. In 2022, Barts NHS Trust launched well-being hubs across 5 of their London hospitals featuring Ultrafabrics products including Volar Bio, our 29% biobased collection that is certified by the USDA BioPreferred Program, and Eco Tech, containing 50% rapidly renewable materials. The hubs are spaces for relaxation and renewal for employees and volunteers of Barts NHS Trust hospitals.



## 2022 Highlights

2022 was an exciting year for sustainability at Ultrafabrics.

**01** The Ultrafabrics branded product portfolio is 100% PFOA-free and 90% PFAS-free.

**02** The Science-Based Target initiative has approved our near-term science-based emissions reduction target to reduce Ultrafabrics' emissions 42% by 2030.

**03** The Ultrafabrics product portfolio was included in Design for Health™ by MindClick at the Achiever Level.

**04** 51% of Ultrafabrics products sold to furniture, healthcare, recreational vehicle, marine, aviation, and accessories markets have at least 50% rapidly renewable and/or recycled materials.

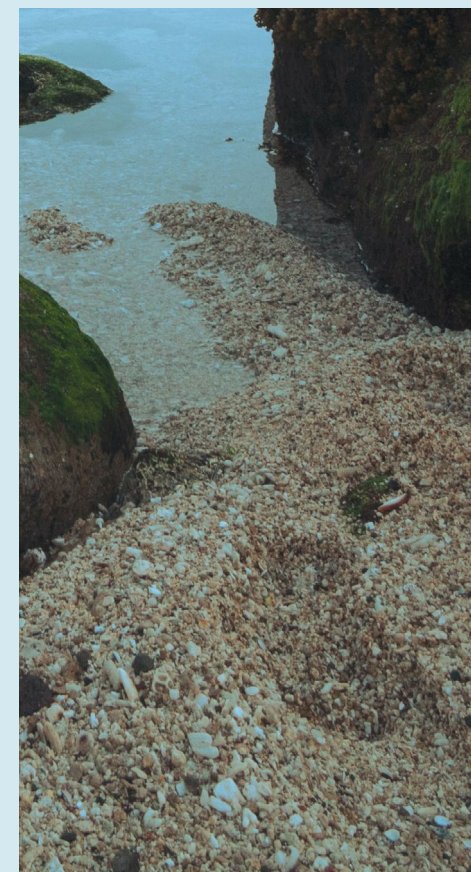
Brisa will be one of the first full collections to transition to at least 50% rapidly renewable and recycled materials by the summer of 2023.



**05** We have achieved our water reduction target and reduced water use intensity by 20% from a 2020 baseline.

**06** The majority of Ultrafabrics branded product portfolio has gone from 14 to 16 weeks hydrolysis resistance, the highest in our product category for durability testing.

**07** The first cycle of supplier self-assessment questionnaires covering legal compliance and environmental and human rights management systems was completed in 2022.



# Methodology

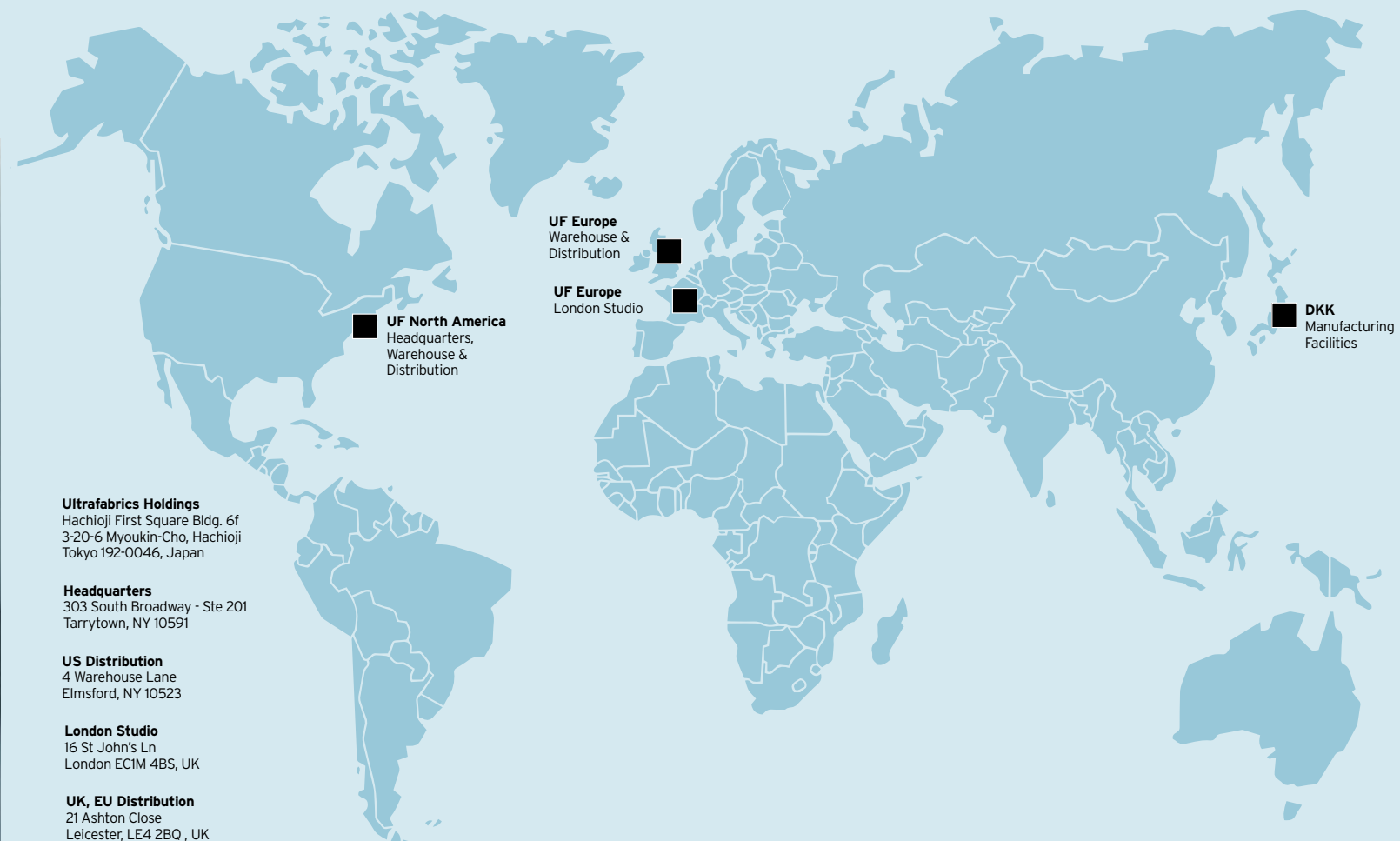
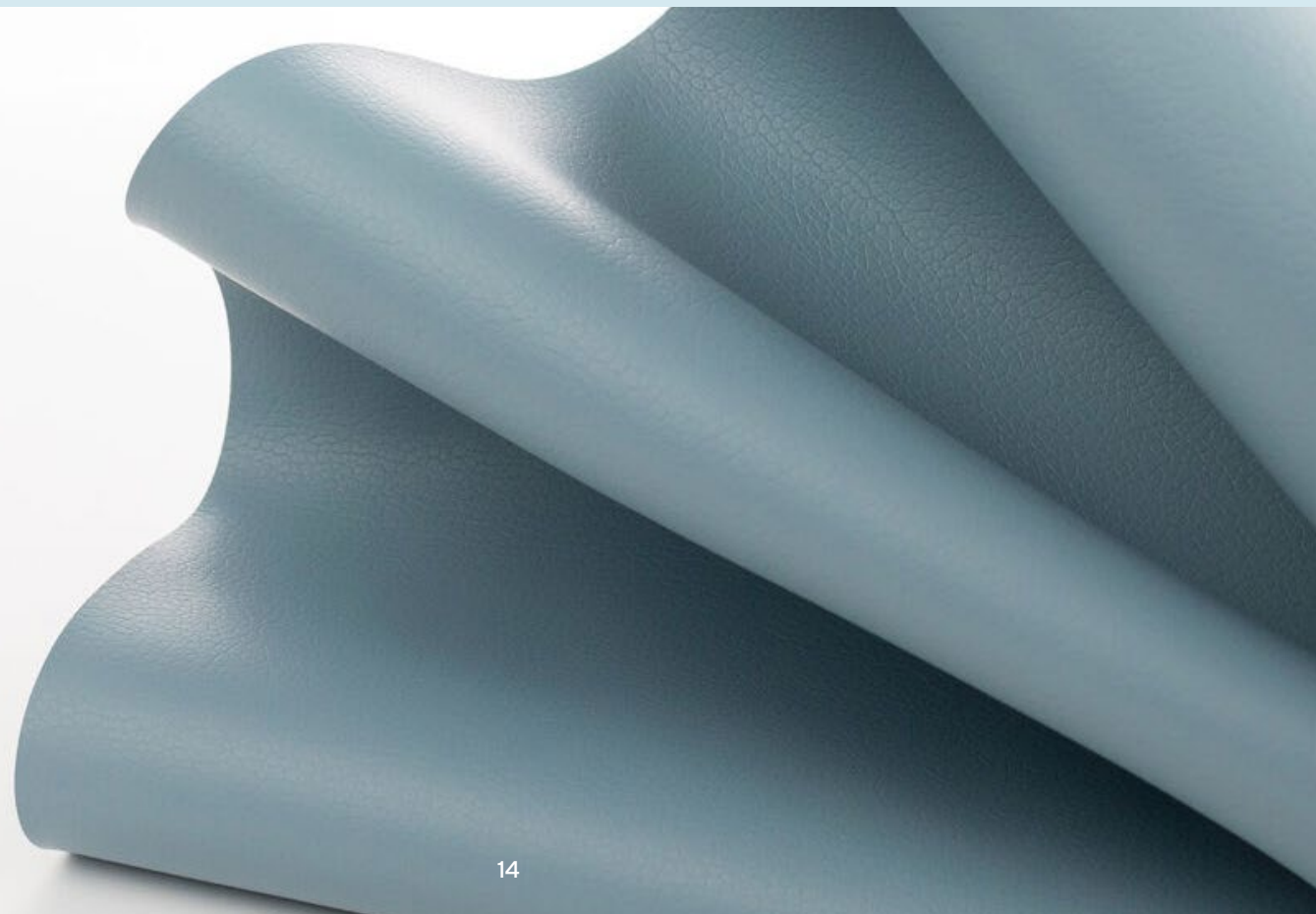
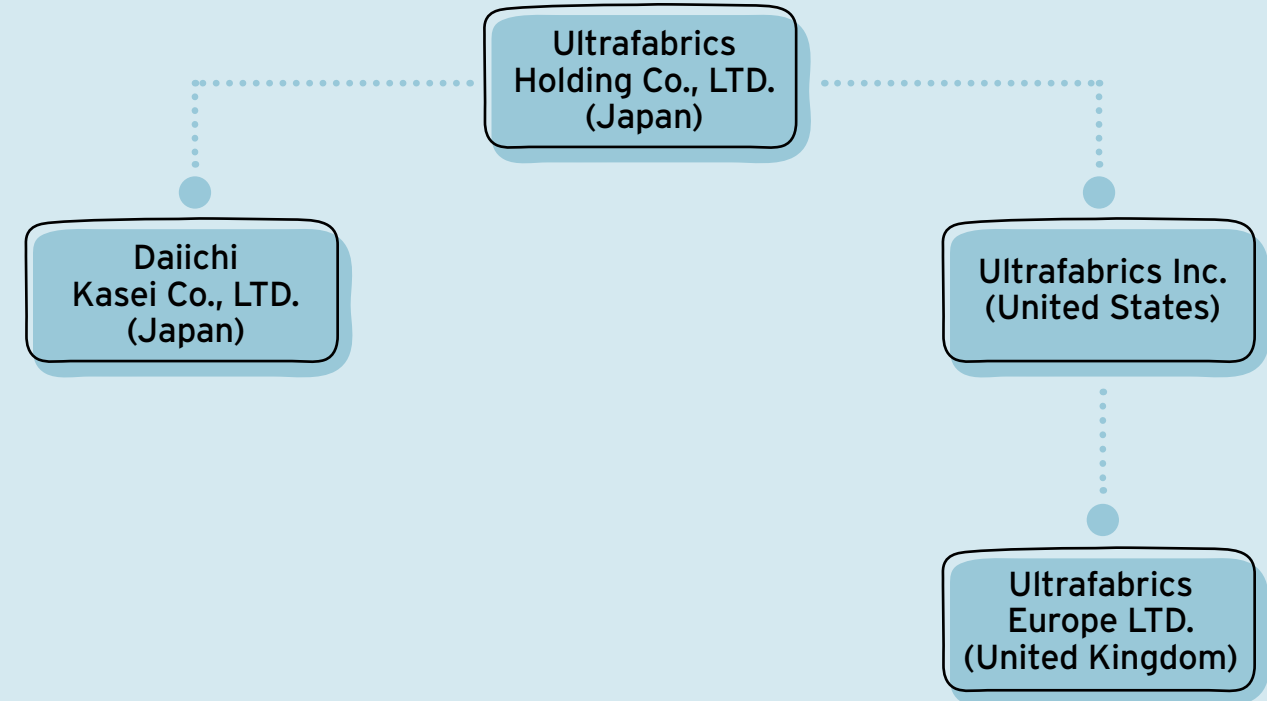
## Report Scope

Ultrafabrics Inc., USA, engaged in the sale of polyurethane material and Daiichi Kasei Co., Ltd. (DKK), Japan, engaged in the manufacturing and sale of polyurethane material, are subsidiaries of Ultrafabrics Holdings Co., Ltd. (Ultrafabrics Holdings), a holding company of the Ultrafabrics Group (Ultrafabrics Group), headquartered in Japan. Ultrafabrics Europe Ltd. (Ultrafabrics Europe) is a wholly owned subsidiary of Ultrafabrics Inc. engaged in distribution, sales, and marketing within European markets. For the purposes of this report, Ultrafabrics refers to the companies of Ultrafabrics Group: Ultrafabrics Inc. and its subsidiary Ultrafabrics Europe as well as DKK.

This report has been developed by Ultrafabrics Inc. with the support of DKK and Ultrafabrics Holdings.

Recognizing that our biggest impacts come from our manufacturing activities, we have included ESG data covering manufacturing (DKK) along with sustainability goals, targets, and activities developed by DKK and Ultrafabrics Inc. (including Ultrafabrics Europe). This report covers the performance of products that are manufactured by DKK in Japan (Ultrafabrics branded product portfolio), unless otherwise noted. Unlike in past years, management and governance activities relating to the whole of the Ultrafabrics Group are included in the scope of this report.

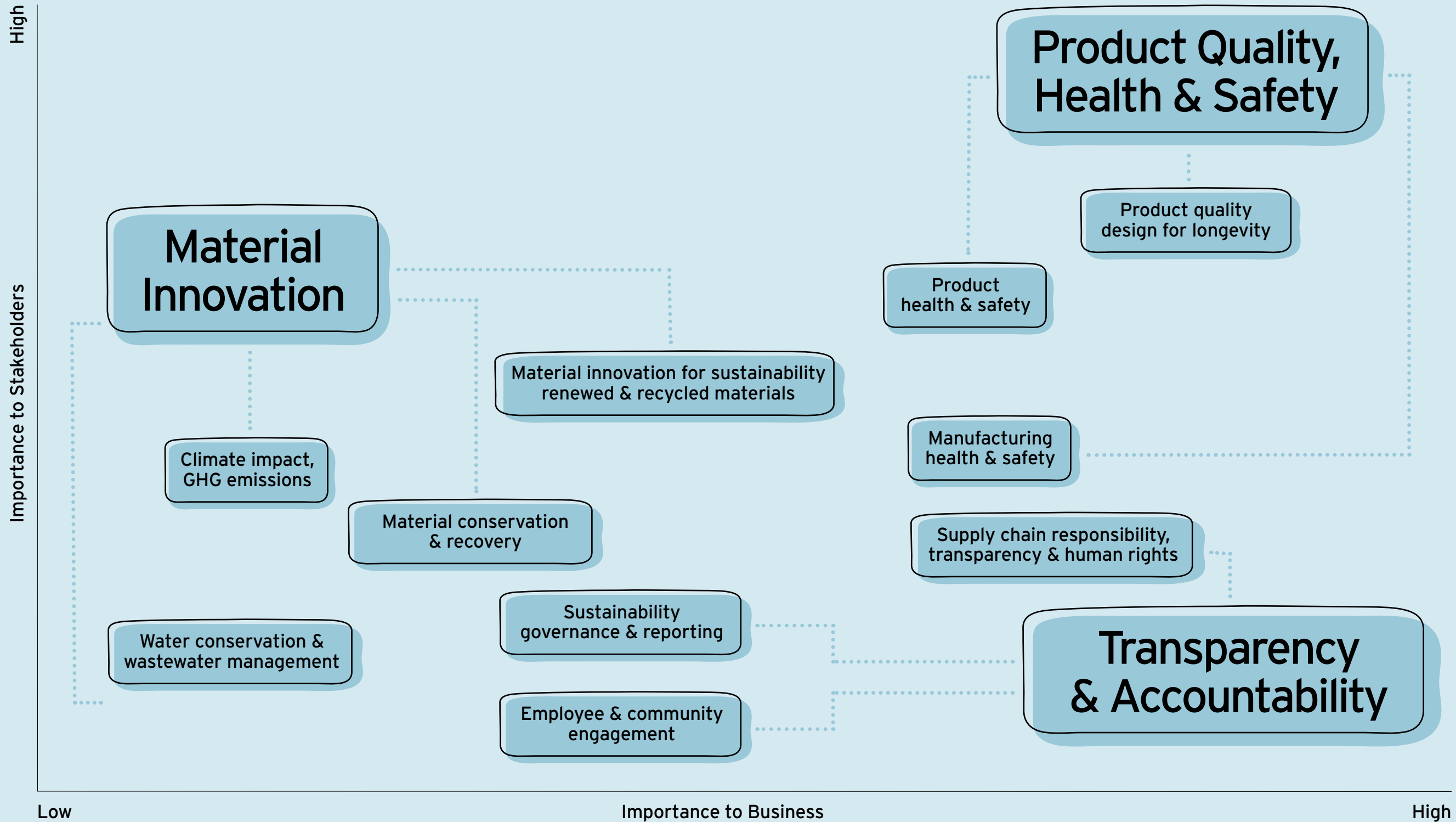
Reporting Year: January 1, 2022, through December 31, 2022, unless otherwise noted.





## Materiality

In 2019, Ultrafabrics Inc. conducted an ESG materiality assessment to identify the most important topics for our business to track and report on and focused on key areas of overlap between business success and their importance to stakeholders.



## Additional Topics

### Environment:

Renewable energy, packaging & design, animal welfare, natural resource conservation, ecosystem preservation

### Governance:

Risk management, corporate governance

### Social:

Employee well-being, culture of sustainability, equal opportunity, inclusion, worker voice, women's empowerment, community development

This materiality assessment included stakeholder engagement with Ultrafabrics Inc. internal and external stakeholders only, and excluded DKK management, governance, and stakeholders, but similarly included manufacturing activities in its scope.

Our customers are a core external stakeholder group. We take into account material topics for the industries we serve.

We continue to engage stakeholders across Ultrafabrics to understand and set priorities related to our sustainability strategy and inform our report.

It is our long-term commitment to continue expanding the scope of reporting to include additional targets and metrics, and we will continue to manage, monitor, and report activity on all material topics. We will update our materiality assessment periodically to ensure that we respond to significant changes in our industry and the sustainability landscape.

# ESG Governance & Accountability

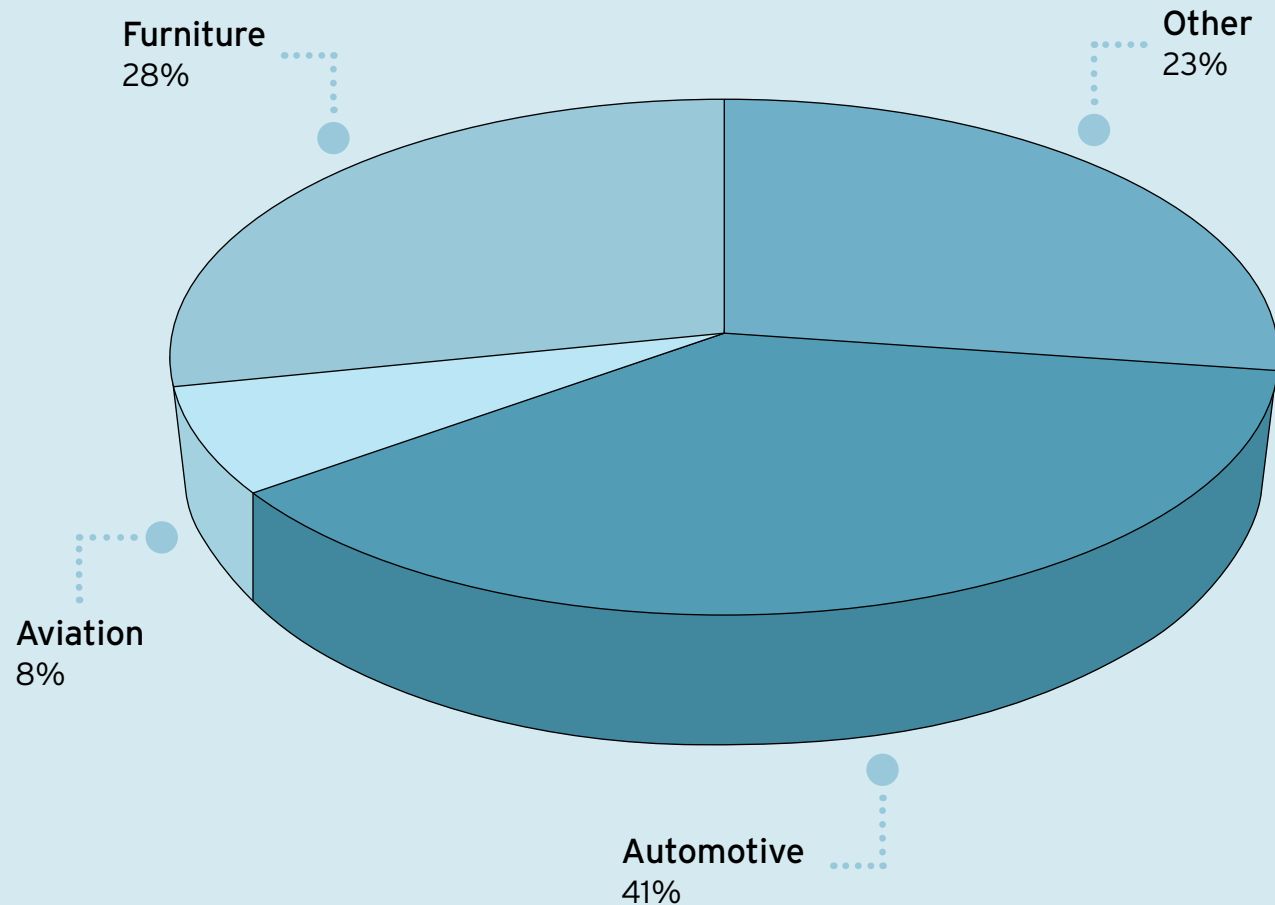
## Governance

As a future-focused company, Ultrafabrics' sustainability vision relies on a commitment to accountability and establishing a clear framework for governance and reporting. Through effective sustainability governance and accountability, we can ensure transparent and consistent reporting of sustainability KPIs over time and that we maintain and/or exceed compliance with all laws and regulations pertaining to sustainability objectives by allocating appropriate resources and authority to achieve sustainability goals.

The Ultrafabrics Sustainability Committee, composed of Ultrafabrics Inc., DKK, and Ultrafabrics Holdings members, is responsible for overseeing, implementing, and reporting on our sustainability strategy and coordinating with business leaders of principal programs to enable Ultrafabrics to overcome key challenges and reach its sustainability goals. The committee meets monthly and is composed of nine senior leaders who represent Ultrafabrics' key business functions such as engineering, branding, quality, product development, and operations.

The Committee's work covers the development of our sustainability strategy, including setting targets and creating implementation plans; tracking and reporting on sustainability actions, programs and progress towards goals; developing future product strategies to meet sustainability goals and managing current product initiatives to help deliver against sustainability needs; managing the manufacturing process to consider sustainability goals and needs set by strategy; creating and implementing communication strategies to publicize Ultrafabrics' sustainability efforts and promote broad awareness of sustainability initiatives internally and externally; driving literacy and integration of the sustainability strategy and practice across the business and responding to customer sustainability/ESG related inquiries; ensuring suppliers meet company and regulated environmental and social standards; and ensuring human rights needs are being met for employees in compliance with company and regulated standards

The Ultrafabrics Sustainability Committee reports to the board of directors of Ultrafabrics Holdings and the Ultrafabrics Inc. and DKK Senior Leadership Team.



Accountability

01

**ISO 14001**

ISO 14001 Certification is the international standard that outlines requirements for effective management of the immediate and long-term environmental impacts of an organization’s products, services, and processes through an environmental management system. Having this certification indicates that an organization has an environmental management system to identify, manage, monitor, and control its environmental issues in a holistic manner.

**Scope**

The Ultrafabrics United States headquarters and Japanese manufacturing facilities.

02

**SCS Indoor Advantage Gold**

SCS Indoor Advantage Gold is the highest level of indoor air quality performance for furniture, ensuring that furniture products meet the strictest chemical emission limits for volatile organic compounds (VOCs). These standards certify that an organization complies with the most rigorous indoor air quality emissions standards in North America.

**Scope**

All current collections of the Ultrafabrics branded product portfolio.

03

**ISO 9001**

ISO 9001 is the international standard that specifies requirements for a quality management system. Having this certification indicates that an organization demonstrates the ability to consistently provide products and services that meet customer and regulatory requirements.

**Scope**

Ultrafabrics Inc. United States headquarters and DKK Head Office, Research Lab, and Japanese manufacturing facilities.

04

**IATF16949**

IATF16949 Certification is the international quality management system for the automobile industry. Having this certification indicates that an organization has developed a Quality Management System that provides for continual improvement, emphasizing defect prevention and the reduction of variation and waste in the supply chain.

**Scope**

Ultrafabrics Inc. United States headquarters and DKK Head Office, Research Lab, and Japanese manufacturing facilities.

05

**USDA BioPreferred**

Managed by the U.S. Department of Agriculture (USDA), the goal of the BioPreferred Program is to increase the purchase and use of biobased products. Certification designates that biobased contents have been third-party tested at independent laboratories.

**Scope**

Volar Bio collection (29% biobased product).

06

**MindClick Sustainability Assessment Program Achiever**

The MindClick Sustainability Assessment Program (MSAP) measures human and environmental health impacts throughout the product life cycle. An Achiever rating designates implementation of at least five of the nine MSAP metrics, with an emphasis on Raw Materials, Chemicals of High Concern, Packaging, and Social and Environmental Production.

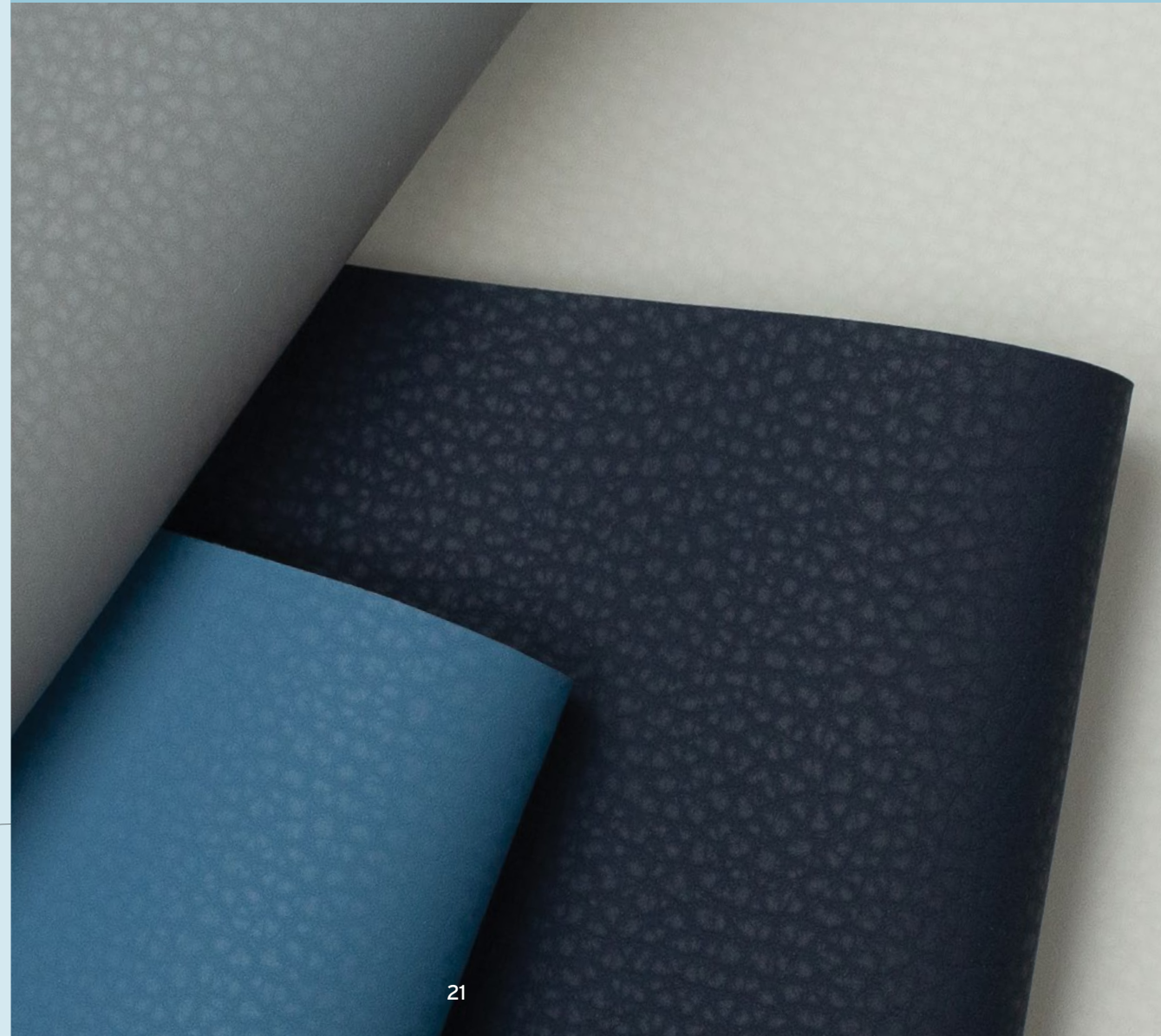
**Scope**

Ultrafabrics branded product portfolio.

**Spotlight:  
Design for Health™  
by MindClick**

Ultrafabrics is thrilled to announce that our complete Ultrafabrics branded product portfolio was included in Design for Health™ by MindClick at the Achiever Level. Design for Health™ is a digital studio for healthy interiors and the trusted source for healthy A&D product specification. The MindClick Sustainability Assessment Program (MSAP) measures all aspects of ESG strategy from materials, chemicals, packaging, health, and end of use to determine a ranking of Starter, Achiever, or Leader, making it easy to compare products and buy better.

Our Achiever rating not only shows the progress and leadership we have in many areas like raw materials, manufacturing, and distribution, but it also highlights opportunities for improvement. We are committed to our journey and our goal to reach Leader status in the near future.



# Theme 1: Product Quality & Health

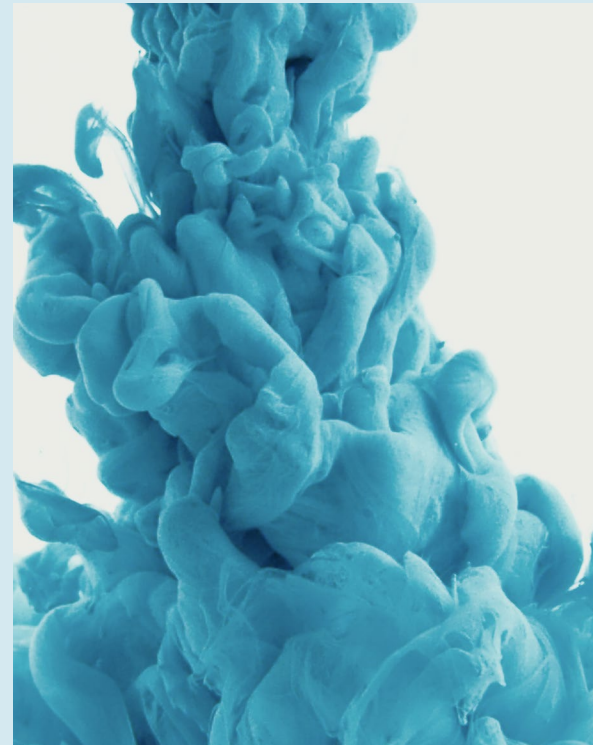
## Safe Chemistry

Safer chemistry is critical for a circular and healthy future for the textile industry. The use of harmful substances in manufacturing releases toxic chemicals into the air and water. Exposure is a safety and health concern, with effects ranging from skin irritation and allergies to digestive problems and cancer. Ultrafabrics is working on next-generation innovations to deliver safer materials for our producers and clients alike.

**We've set a new target to remove PFAS from all products by 2025.**

### Activities & Performance Summary

- In 2022, we completed our work to remove PFOA from our Breathable Technology grouping which includes Brisa, Brisa Distressed, and Fresco. Our entire branded product portfolio is now PFOA-free. PFOA is a synthetic fluorocarbon used for water resistance and has been replaced with a silicon-based chemical. Many countries, including Japan where our products are manufactured, agreed to adopt a ban on PFOA following the Stockholm Convention on Persistent Organic Pollutants (POPs).
- Our Product Development and R&D teams are spearheading our work to remove PFAS from all products in our portfolio. As of the end of 2022, 90% of our products are PFAS-free. In 2023, we will be continuing trials with replacement silicones in our efforts to identify a non-PFAS solution.
- We currently recover and recycle over 98% of solvents used in manufacturing, minimizing our environmental impact from chemistry and reducing waste.
- Updates to REACH substances of very high concern continue to improve industry sustainability. Ultrafabrics products are assessed for semi-annual updates and have been determined to meet and/or exceed the criteria.



After a comprehensive review of our restricted substances list in 2021, we have maintained the same high standards during 2022, which excludes the following from the Ultrafabrics branded product portfolio:

- Bisphenol A (BPA)<sup>†</sup>
- Conflict Minerals
- Flame Retardants (except for aviation, automotive, or when requested by customer)
- Heavy Metal Stabilizers
- PFOA (Perfluorooctanoic Acid)
- Plasticizer Phthalates
- POPs (Persistent Organic Pollutants)
- PVC (Polyvinyl Chloride)

<sup>†</sup> In line with our commitment to sustainable material innovation, we have chosen to incorporate recycled polyester fibers in select collections. Due to the recycling process of the plastic bottles, there is a slight possibility of trace amounts of BPAs being present in collections with the 65% recycled polyester/35% rayon backcloth.

## Employee Health and Safety

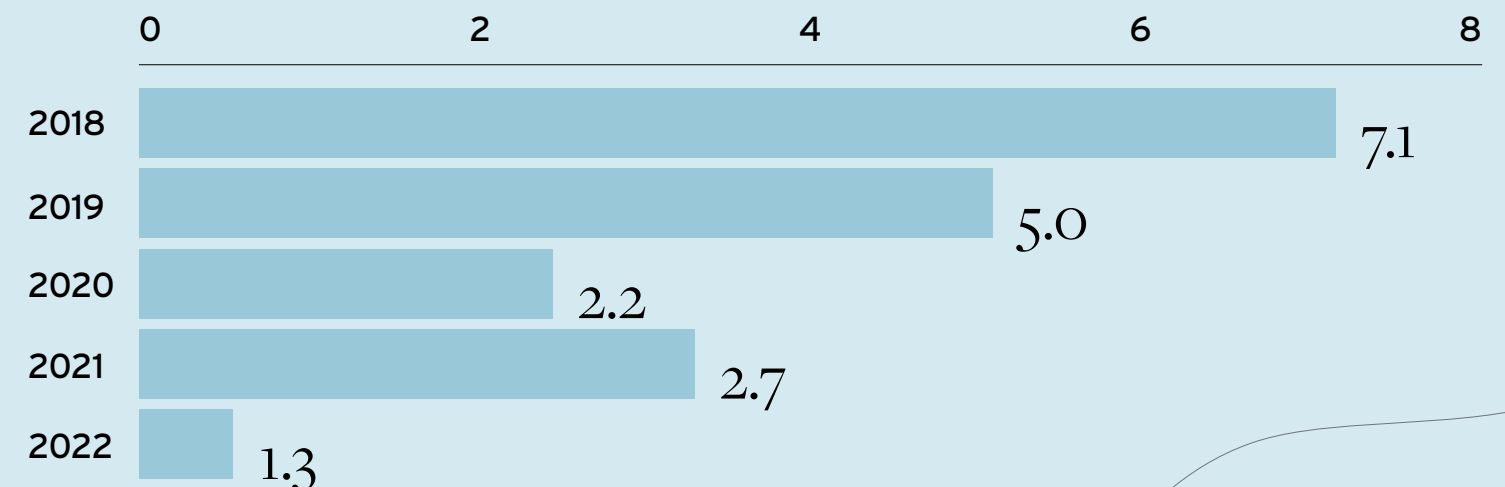
Health and safety are held to the highest standards at our mills. Throughout our operations, there are processes that involve physical and chemical hazards associated with the operation of various machines and the use of organic solvents. We pay close attention to the safety and health of all employees and strive to create a comfortable work environment free from accidents and health hazards.

### Activities & Performance Summary

In 2022, there were 1.31 safety incidents per 200,000 hours worked, a 50% decrease from 2021. We continue to work toward a safe working environment for our employees:

- All current collections have been assessed to pass SCS Indoor Advantage Gold, the highest level of indoor air quality performance for furniture, ensuring that furniture products meet the strictest chemical emission limits for VOCs.
- Indoor air quality is monitored for VOCs every six months to ensure that levels are maintained below regulatory limits and to identify areas with relatively high VOC concentrations.
- We are taking measures to reduce workers' exposure to organic solvents by installing air intake/exhaust systems and training workers on the proper use of protective equipment.
- We conduct periodic health checks for all mill employees, and biannual medical examinations for workers who handle organic solvents.
- We manage qualifications for handling various types of equipment and continuously provide training to prevent a recurrence of incidents.

**Lost Time Injury Frequency Rate  
Injuries per 200,000 Hours Worked**



## Quality Design for Longevity

Ultrafabrics works to provide long-lasting products that surpass the expectations of our customers. The more durable our products, the less frequently they will need to be replaced or repaired, and the raw materials, energy, and environmental impacts embedded in them can be spread out over more time.

### Activities & Performance Summary

- We're proud to announce that the majority of our Ultrafabrics branded product portfolio has gone from 14 to 16 weeks hydrolysis, the highest in our product category\*. It's generally accepted in the marketplace that material should withstand at least 5 weeks in the hydrolysis testing chamber for commercial upholstery. Hydrolysis is a chemical change resulting from a reaction with water or one of its components. In coated fabric upholstery applications, hydrolysis can lead to the surface of a coated fabric losing its integrity or delaminating from its textile backing, which can be caused by a person's body heat and moisture left after sitting on the upholstered surface for an extended period of time. We conduct both the passive ISO 1419: 1995(E) Method C "Tropical Test" test and the active ASTM D3690-02 test.
- Announced in February 2022, our product warranty period for Ultrafabrics brand products extended from 2 to 5 years from the date of shipment\*\*. The warranty covers any defects in materials or workmanship giving our customers even more peace of mind.
- Considering the unprecedented demands of cleaning and disinfecting during the COVID-19 pandemic, we are working to develop products that withstand vigorous cleaning regimens while maintaining the highest standards of sustainability and performance.

\* There is no direct correlation between testing weeks to years of service in the field. As with any fabric, multiple factors including environment, usage, abuse, and application type can contribute to longevity. Exceptions to 16 weeks of hydrolysis include: Fusion and Fusion Shimmer, achieving 14 weeks.

\*\* Does not apply to Uf Select and specific applications, like marine and aviation. Please visit our website for complete warranty information. New warranty applies to purchase orders received after February 8, 2022.

## Theme 2: Material Innovation

### Rapidly Renewable & Recycled Materials

Material innovation calls for the development of next-generation fabrics that limit the use of non-renewable ingredients while improving the sustainability of existing fibers and advancing the newest plant-based and recycled resources.

**By 2025, all Ultrafabrics products sold to furniture, healthcare, recreational vehicle, marine, aviation, and accessories markets will have at least 50% rapidly renewable and/or recycled materials. This is being achieved five years ahead of our original goal!**

**By 2030, our Uf Select portfolio and applicable transportation-grade materials will also have at least 50% rapidly renewable and/or recycled materials.**

**Rapidly Renewable Materials** are materials that can be replenished at a rate equal to or greater than the rate of depletion. These are typically agricultural and forestry products with a harvest cycle of 10 years or less, prioritizing feedstocks with strong traceability. Rapidly renewable materials include Preferred Man-Made Cellulosics - inputs sourced from non-endangered, certified, sustainably managed forests that are manufactured with less environmental impact (e.g., employing responsible chemistry practices and/or manufacturing technologies that are closed loop and ensure biodegradability). Certification includes Forest Stewardship Council (FSC), Sustainable Forestry Initiative (SFI), Programme for the Enforcement of Forestry Certification (PEFC), and CanopyStyle audits. Ultrafabrics recognizes the increased sustainability of sourcing 2nd and 3rd generation feedstocks backed by 3rd party certification and aims to prioritize those feedstocks as they become available.

**Recycled Materials** contain recycled content from pre- or post-consumer feedstock sources. They are certified to the Global Recycle Standard (GRS) or Recycled Claim Standard (RCS) at each stage of production, beginning at the recycling stage and ending at the last seller in the final business-to-business transaction. The textile industry is under increasing pressure to reuse resources as much as possible. The transition to a circular system will require inputs from all parties involved, including designers, chemists, and end consumers. Ultrafabrics recognizes the importance of post-consumer inputs in achieving full textile industry circularity and prioritizes those inputs where possible.

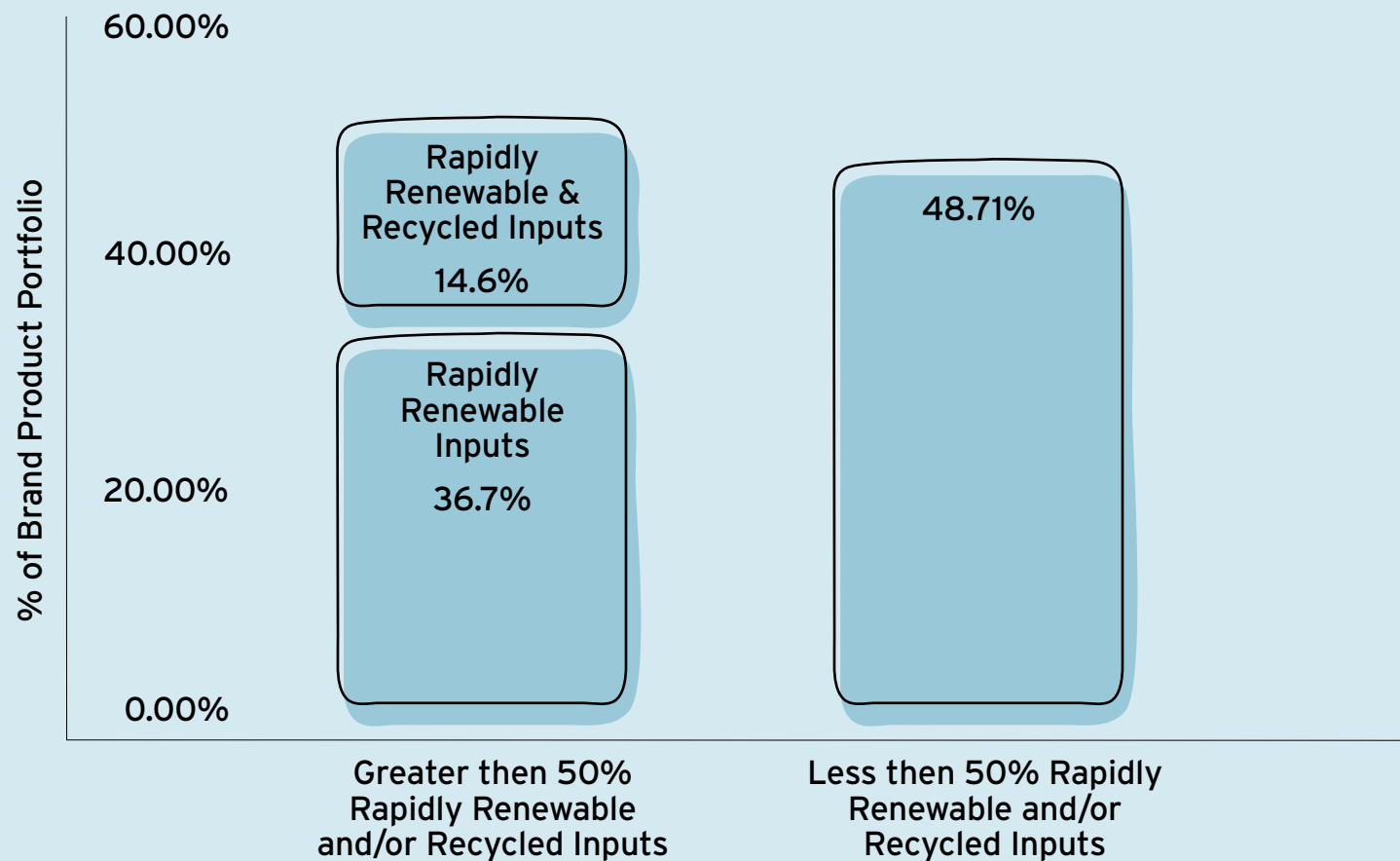
### Activities & Performance Summary

Over the past couple of years, our engineers have been dedicated to the review of the raw materials utilized across our product portfolio. Their current focus has been on our woven substrates and yarn suppliers. **As of the end of 2022, 51% of the Ultrafabrics branded product portfolio contains at least 50% rapidly renewable and/or recycled inputs.** We continue to transition our Ultrafabrics branded product portfolio backings to include rapidly renewable and/or recycled content:

- Our Eco Tech, Pearlized, Ultraleather, and Ultraleather Pro collections are backed in 100% TENCEL™ Modal, representing 30% of our entire product portfolio. Ultrafabrics is the first and only polyurethane material/branded partner to utilize TENCEL™ Modal fibers in our collections.

- We have begun transitioning the backings for our Fusion, Fusion Shimmer, Wired, Brisa, Brisa Distressed, and Fresco collections to contain 65% recycled polyester and 35% responsibly-sourced viscose.
- The balance of our portfolio that contains a blended polyester and rayon backcloth, like Promessa and Tottori, will also transition to these resources. We expect the transition to be complete by 2025, five years ahead of our 2030 target.
- By summer 2023, Brisa, Brisa Distressed and Fresco will be the first full collections to include both renewable and recycled resources.

### Ultrafabrics Branded Product Portfolio Composition



## Fiber Spotlight: REPREVE®

REPREVE® polyester is a branded fiber manufactured by Unifi that uses recycled plastic bottles and post-industrial waste to create high-quality yarns. REPREVE® is as strong and durable as virgin polyester but uses recycled inputs instead.

Ultrafabrics uses REPREVE® polyester yarn with 80% recycled post-consumer polyester and 20% recycled pre-consumer polyester, utilizing an estimated 8.3 recycled plastic bottles per yard of fabric and supporting our use of recycled fibers.

The use of REPREVE® helps conserve natural resources, diverts waste from landfills, and uses less energy. For every 1 pound of REPREVE® polyester yarn, 24,000 BTUs are conserved, equivalent to 0.2 gallons of gasoline. REPREVE® fibers are fully traceable and are made using cleaner chemical processes.

### Certifications

- Scientific Certification Systems (SCS) certification for recycled content claims
- Oeko-Tex Standard 100 certified qualifies yarns to be free of harmful levels of more than 100 substances
- Global Recycle Standard (GRS) certifies recycled materials and chain of custody

REPREVE® is a registered trademark of Unifi, Inc.

## Fiber Spotlight: ECOVERO™

ECOVERO™ is a branded viscose-alternative fiber produced by Lenzing AG that uses sustainable wood inputs from certified and controlled sources that meet strict sustainability requirements.

The use of ECOVERO™ helps reduce water impacts, water use, emissions, and other environmental impacts. Compared to generic viscose, ECOVERO™ has up to 50% lower water impact and 50% fewer emissions calculated by the Higg Materials Sustainability Index. ECOVERO™ fibers are fully biodegradable in soil, freshwater, and marine environments.

### Certifications

- EU Ecolabel certified recognizes high environmental standards, minimizing harmful environmental practices with an eco-responsible production process
- Oeko-Tex Standard 100 certified qualifies yarns to be free of harmful levels of more than 100 substances
- All Lenzing wood for pulp is certified according to FSC® (FSC-C041246) and/or PEFC™ (PEFC/06-33-92) ensuring that all materials used come from responsibly managed forests
- TÜV Austria Belgium NV OK compost certified verifies products as compostable under industrial and home conditions
- TÜV Austria Belgium NV OK biodegradable certified verifies products as biodegradable under soil, marine, and freshwater conditions

TENCEL™, LENZING™ and ECOVERO™ are trademarks of Lenzing AG

## Fiber Spotlight: TENCEL™

TENCEL™ Modal is a cellulosic fiber manufactured by Lenzing AG from beech wood sourced from sustainable forests in Austria and neighboring countries.

Beech wood forests are a natural and renewable source of raw material, supporting our use of rapidly renewable resources.

The use of TENCEL™ Modal helps efficiently use natural resources and reduce emissions and other environmental impacts. The production of TENCEL™ Modal uses renewable energy and recovers remaining components as co-products. The Higg Materials Sustainability Index ranks TENCEL™ Modal among the most sustainable cellulosic fibers, with six times lower environmental impact than generic modal. TENCEL™ Modal fibers are also compostable and biodegradable.

### Certifications

- EU Ecolabel certified recognizes high environmental standards, minimizing harmful environmental practices with an eco-responsible production process
- United States Department of Agriculture (USDA) BioPreferred® designates that biobased contents have been third-party tested at independent laboratories
- Oeko-Tex Standard 100 certified qualifies yarns to be free of harmful levels of more than 100 substances
- All Lenzing wood for pulp is certified according to FSC® (FSC-C041246) and/or PEFC™ (PEFC/06-33-92) ensuring that all materials used come from responsibly managed forests
- TÜV Austria Belgium NV OK compost certified verifies products as compostable under industrial and home conditions
- TÜV Austria Belgium NV OK biodegradable certified verifies products as biodegradable under soil, marine, and freshwater conditions

## Energy Conservation and Climate Impact

Reducing greenhouse gas emissions is paramount to slowing the negative impacts of climate change. Ultrafabrics is committed to reducing our footprint throughout our global operations.

We recognize the importance of aligning with the Paris Agreement and limiting warming to 1.5°C. **Ultrafabrics is committed to reducing Scope 1 and 2 emissions 42% by 2030 from a 2021 baseline.**

In 2021, Japan released a roadmap to tackle its contribution to climate change by outlining three key milestones that include:

- Reducing GHG emissions by 46% from 2013 levels by 2030
- Promoting and developing innovative technologies that enable Japan to contribute to the reduction of accumulated atmospheric CO<sub>2</sub> globally to “Beyond Zero”
- Achieving net zero GHG emissions by 2050

We acknowledge the need not just for industry-wide alignment on targets but global-aligned action and embrace the goals set forth by the Japanese government, as well as those set at COP27.



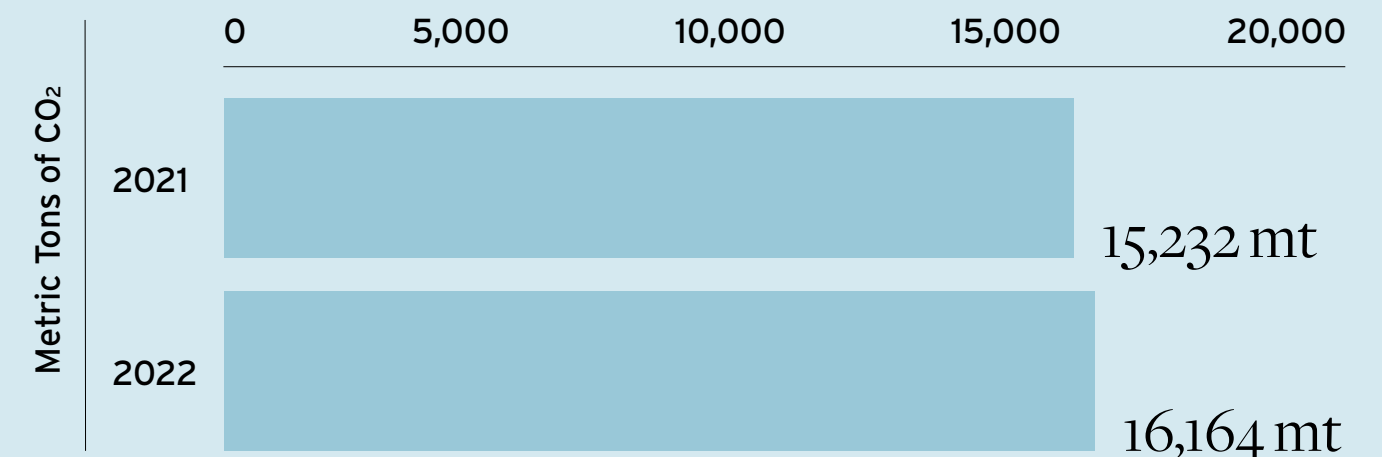
## Activities & Performance Summary

In line with our science-based target, we will now be reporting on absolute emissions. While our overall emissions increased by about 6% compared to 2021 due to higher production volumes, our emissions intensity (emissions per yard of fabric produced) decreased in 2022 compared to 2021 by about 7%. We are committed to doing our part to slow the impacts of climate change by reducing our absolute emissions:

- The Science-Based Targets initiative (SBTi) has approved our near-term science-based emissions reduction target to reduce Scope 1 (emissions resulting directly from the use of fuel for company equipment) and Scope 2 (emissions caused indirectly by the use of electricity or heat purchased from external sources) emissions by 42% from the fiscal year 2021 through the fiscal year 2030 by the installation of solar panels and hydrogen boilers. For Scope 3 emissions (indirect emissions not included in Scope 1 and 2), Ultrafabrics will calculate and reduce CO<sub>2</sub> emissions based on the GHG Protocol.
- We are in the development of a new mill, which will be operational in 2025, that will include new energy sources featuring a hydrogen boiler, solar power, and storage including cogeneration.

- In 2022, our Gunma Plant solar system generated 175 kW of energy, reducing electricity needed at the plant by 6.8%.
- In 2013, we introduced a boiler equipped with a three-stage combustion mode at the Gyoda Plant with the intention to reduce CO<sub>2</sub> emissions.
- We source almost all of our primary raw materials (resins and backcloth) from local suppliers, with the intention of reducing our emissions from transportation.
- Ultrafabrics products are about 1/2 to 2/3 the weight of genuine leather or PVC (polyvinyl chloride). The lighter weight of our products reduces environmental loads during transportation as well as in use in industries like aviation.

Absolute GHG Emissions





## Water Conservation and Recovery

Water is an important resource throughout our production process. As a finite resource, water consumption is an important environmental consideration, and wastewater pollution is a key environmental and public health concern when it comes to textile manufacturing. We will continue to inform future decisions around water use with our water reduction target and prioritize wastewater management to mitigate the impacts of our production processes on water resources.

We are committed to maintaining a 20% reduction in water use in manufacturing from a 2020 baseline, as a percentage of yards produced.

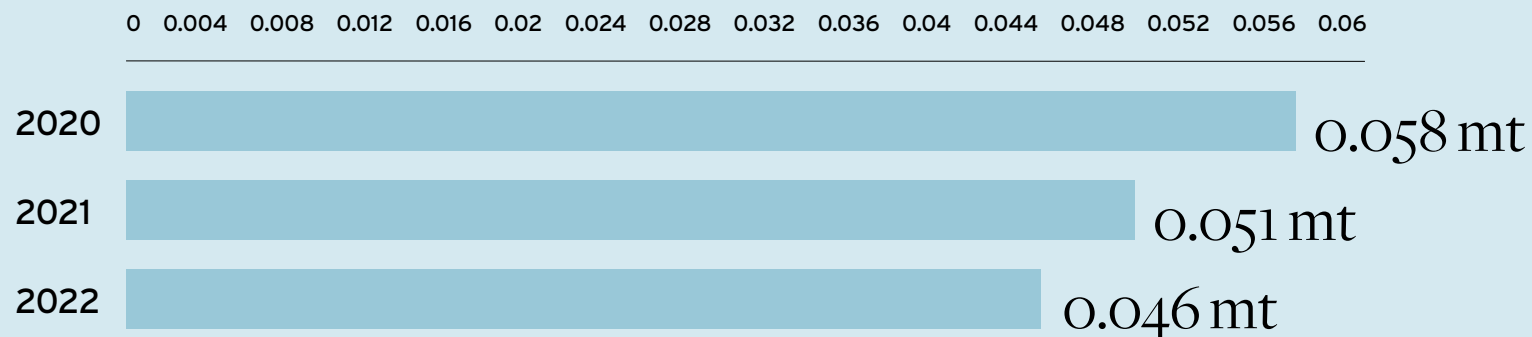
### Activities & Performance Summary

In 2022, we reached our 20% water intensity reduction target from the 2020 baseline. We were able to achieve 0.046 metric tons (mt) of water per yard produced in 2022, down from the baseline of 0.058 mt of water per yard produced in 2020. We will continue to closely monitor and optimize our water use to maintain a 20% reduction in use:

- We announced last year that we are constructing a new mill which will be operational in 2025. This mill will include a new water purification system for closed-loop water use that will allow us to recycle wastewater. We anticipate the water recycling system will enable us to sustainably maintain our water reduction target. We look forward to reporting on these activities when the mill is operational.
- We have strict water quality controls as part of our ISO 14001 processes. Our wastewater is regularly sampled to ensure it meets government-defined standards for wastewater safety prior to municipal treatment.
- We continue to explore options for products with reduced need for solvents and seek additional opportunities to work towards less water-intensive manufacturing, while maintaining the qualities our customers value.

### Water Intensity from Manufacturing

Metric Tons of Water per Yard Produced



## Material Conservation and Recovery

Textile industry waste is becoming a major component of landfills worldwide and contributing to GHG emissions. Reducing and diverting textile waste has the potential to dramatically cut harmful emissions globally.

**Ultrafabrics commits to maintaining 3% or less waste intensity** – meaning that 3% or less of the yardage we produce each year goes to landfill or is recycled. This target includes waste from manufacturing (scrap), returns, and unsold inventory. Both waste source reduction (producing less waste) and diversion (donating the remaining waste we do produce) efforts impact this metric, which measures the total yards that go to landfill or are recycled as a percentage of total yards produced.

We are actively looking for ways to reduce waste by embracing circular economy principles. Ultrafabrics designs durable, long-lasting products that often outlast the structures they inhabit (e.g., furniture or cars). This design principle is intended to reduce the amount of material that is sent to landfill as waste. However, for post-industrial/pre-consumer waste (waste generated from the manufacturing process), we take measures to reduce and divert our waste.

## Activities & Performance Summary

In 2022, our waste intensity grew to 3.46%, above our 3% target. While we were able to decrease our total volume of manufacturing waste by 7% compared to 2021, we had a significant amount of unsold inventory waste that could not be donated. As we look to 2023, we continue to assess ways to reduce our waste intensity through waste reduction and diversion:



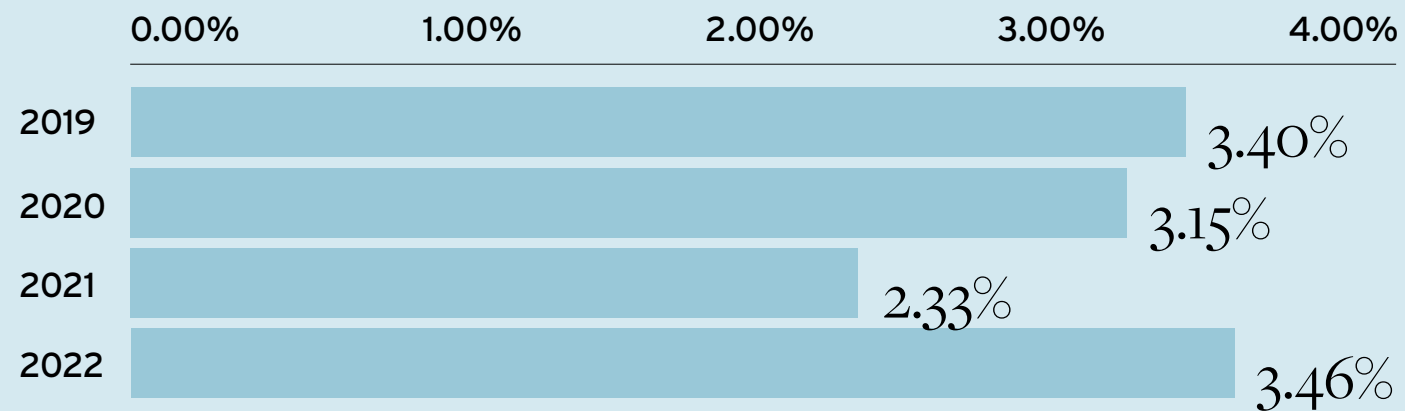
### Waste Reduction:

- Ultrafabrics actively manages its manufacturing waste and target scrap ratio, optimizing efficiency to reduce waste and diverting the small portion of remaining waste wherever possible.
- We employ strict sample returns policies and efficiently manage inventory to ensure that there is as little unsold inventory and waste from sales as possible.
- The manufacturing process of Ultrafabrics products generates waste materials such as waste paste and waste liquid. To reduce the amount of waste, we have adapted some of our machine configurations to reduce the amount of paste fed into the machine, which in turn, reduces the amount of paste for disposal.

### Waste Diversion:

- We have introduced an electronic manifest system to ensure we can track the forwarding companies to whom we have issued licenses and contracts.
- Ultrafabrics has continued to partner with several local organizations to repurpose unsold or returned inventory and products not suitable for sale due to flaws like stains or other defects.
- Our Japan-based upcycling brand <REDOW>, launched last year, has been well-received. The brand uses materials that must be scrapped to make products like bags and cushions. With the support of our sustainability designer partner, KDS (Kajiwara Design Studio), <REDOW> makes products with modern designs.
- Ultrafabrics uses packaging materials for sampling that is FSC certified and contains a range of 20-75% post-consumer waste.
- Since 2018 we have donated over obsolete materials through our Mottainai program, which is inspired by the Japanese concept of finding the intrinsic value in waste. We have donated over 30,000 yards since its introduction.

## Waste Intensity



## Partner Spotlight

In 2022, we began a collaboration with Luv, Lola, a custom handmade bag brand based out of Houston, TX. Luv, Lola supports Ultrafabrics' waste diversion activities by utilizing Mottainai donated materials.

"I first discovered Ultrafabrics browsing a local fabric store. While they did not have the actual product in house, they did have tiny samples in their fabric portfolio book. I immediately fell in love! I rushed home, found the website and read all about Ultrafabrics and viewed each line of material carried. I then researched and found an online store that carried [their] product and I was hooked!

I love working with Ultrafabrics because not only do they create colors and textures that are sensorial and unique, they are constantly striving to move towards a more sustainable future.

I am grateful to be a part of their donation program, Mottainai, and have been personally inspired to find creative ways to decrease my waste.

I am excited to promote Ultrafabrics in the fashion realm and offer the material in my bag making portfolio. I'm a fan for life!"



Luv, Lola

# Theme 3: Transparency & Accountability

## Employee Engagement, Well-being, & Culture

The textile industry touches almost every aspect of daily modern life and employs over 25 million people globally. With over 300 employees across multiple locations in Japan, the UK, and the US, we are committed to fostering an inclusive and collaborative work environment where all employees can access opportunities for wellness and growth.

We aim to foster a culture in which all employees have equal opportunities to participate in their work and the diverse experiences, abilities, and ideas of each employee are recognized and utilized.



## Activities & Performance Summary

- In 2022, we established a corporate HR policy covering discrimination, consideration for local communities, harassment, forced and child labor, workplace safety, working hours and wages, and freedom of association and collective bargaining.
- In Spring 2022, we re-introduced Uf University, a bi-weekly series of live and on-demand training sessions that include product, processes, and wellness topics. Uf University showcases the value of education within our corporation. We empower our employees by providing courses to further understand our company, learn more about their colleagues, and develop skills beyond our office walls. Uf University is available to all Ultrafabrics Inc. and Ultrafabrics Europe employees.
- Every year we get together as a company for Health & Wellness Week to take on engaging and fun approaches to well-being. As part of our 2022 Health & Wellness Week, we offered aura readings, massages, yoga, and healthy lunch options. We value our employees' happiness and work/life balance and appreciate their dedication. Health & Wellness Week is available to all Ultrafabrics Inc. and Ultrafabrics Europe employees.
- We offer a confidential Employee Assistance Program (EAP), which allows employees to grow in a variety of personal and career development areas. Just as health insurance addresses physical health, the EAP benefits support emotional and mental well-being and include a host of benefits and opportunities to help our employees grow professionally, save money, improve their health, and enhance their personal lives. Our EAP covers all Ultrafabrics Inc. employees.
- To achieve true sustainability, expanding roles, platforms, and opportunities for all stakeholders and personnel is necessary to move the needle toward an inclusive sector. We are working to create a workplace environment and system that allows each person to work with satisfaction in accordance with their ability and personality. Within our DKK operations, we employ people with disabilities at a minimum rate of 2.3% in accordance with the Act on Employment Promotion of Persons with Disabilities. Our employment rate of people with disabilities was 2.6% (as of July 2022). When employees with disabilities are hired, our teams prepare in advance to ensure the new employees have everything they need to be set up for success.

### Performance Metrics

● Total Number of Employees	309
● % of Female Employees	25%
● % of Employees with Disabilities	2.6% (DKK only)
● % of Female Managers	24%
● Turnover Rate	8%

## Supply Chain Transparency & Traceability

The integrity of supply chains continues to be a growing demand in the textile industry. We are committed to driving more transparency and traceability through our supply chain to ensure social and environmental standards are being upheld.

Supply chain transparency refers to the visibility and accessibility of high-level supply chain information, including communicating that information to stakeholders. Supply chain traceability is the ability to trace a product and its raw materials through the supply chain. Whereas transparency focuses on mapping the whole supply chain, traceability looks at individual batches of components or purchase orders as they progress through the supply chain. Both are essential to supply chain management.

### Activities & Performance Summary

- In 2022, we completed our first full cycle of supplier assessments to understand our supplier's alignment with responsible business practices, assessing over 99% of our suppliers based on sales. The supplier questionnaire covered legal compliance and environmental and human rights management systems.
- At DKK, we conduct regular human rights training for employees in Japan to raise awareness of human rights issues throughout the supply chain.

## Community Engagement

We are committed to having a positive economic, social, and environmental impact in the communities in which we operate. Through continual engagement and strengthening of local community relationships, we ensure our success and our communities' success are one in the same.

### Activities & Performance Summary

In 2022, we continued to invest in our local and global communities:

- We added 200 more trees to our Treedom forest. Treedom works closely with local farmers to bring environmental, social, and financial benefits to their communities. We now have 800 trees planted across 8 countries: Madagascar, Colombia, Haiti, Cameroon, Kenya, Tanzania, Ecuador, and Guatemala. Not only do these trees purify the air we breathe and sequester carbon, capturing 83,850 tons to date, but they also contribute to local biodiversity.
- We supplied the local non-profit, Unshattered, with fabric for their handcrafted bags and accessories, which are made with upcycled, post-production materials by women recovering from addiction.
- Our partnership with Parquet Group supports people with disabilities and illnesses to live richer lives. Parquet Group operates an after-school day service to support families with children who need medical care and special education. We purchase tote bags and other novelty goods from the Parquet Group, which they make from our donation inventory.
- As long-standing members of the Westchester, New York community where our US headquarters is based, we participate in several local initiatives to further deepen our roots. This includes supporting fundraisers for Feeding Westchester and toy drives during the holiday season.

## Partner Spotlight

Unshattered is working to end the addiction relapse cycle by providing pathways toward economic independence and sustained sobriety.

Unshattered paves the road between recovery and long-term sobriety, hiring women who are overcoming devastating circumstances such as addiction, trafficking, abuse, abandonment, and incarceration. Their work focuses on creating opportunities for women overcoming addiction and trauma to thrive.

The pathway to economic recovery is just as essential as the physical and psychological healing from addiction. To that end, Unshattered provides employment, job skills training, and personal and professional development to the women in its program. The journey begins with a 10-week training period focused on job readiness and personal development and ends with full-time employment with benefits including paid time off, counseling and insurance, and advancement opportunities.

100% of Unshattered's employees have been able to move out of transitional housing into a home or apartment within 12 months of employment and only one employee has relapsed in its 6 years of operations.





Sustainability  
Without  
Sacrifice

# Touch the Future<sup>®</sup>

