



Group sustainability reporting

» TFL International GmbH – Rheinfelden, Germany
31 December 2023



TFL – Great chemicals. Excellent advice.



Sustainability is
a key strategic theme
for TFL



Contents

TFL at a glance in 2023	4
Introduction	5
Company overview	
→ Sustainability goals and strategy	7
→ Material issues	8
Business conduct	9
High-performing employees	
→ Employee structure	11
→ Employee compensation	14
→ Management body	15
Health and safety	16
Production sites	
→ Energy and CO ₂ emissions	18
→ Water	20
→ Waste	21
Product portfolio	
→ Product safety	23
→ Product innovation	25
Industry relations and advocacy activities	26

TFL AT A GLANCE IN 2023

EMPLOYEES

1,017

25% female
75% male

8

PRODUCTION SITES

COMPLETION RATE OF TFL COMPLIANCE PROGRAM

100%



CO₂ (SCOPE 1/2) EMISSIONS DOWN

-21%

LEVEL 3 ZDHC-CERTIFIED RELEVANT PRODUCTS

100%



TOTAL WATER WITHDRAWAL

-20%



MORE PRODUCTS WITH BIO-BASED CONTENT OVER 50%

+18%

-23%



ENERGY CONSUMPTION DOWN

ACCIDENT FREQUENCY RATE

0.38



Introduction



The General Managers of TFL International GmbH are pleased to present the second Sustainability Reporting of TFL Group.

Sustainability is a key strategic theme for TFL and considered to be a driver for growth and value as well as an important element of risk management. In light of the Corporate Sustainability Reporting Directive introduced by the European Union, TFL has decided to early-adopt some of the disclosure requirements. The information provided in this report has been extracted from TFL's consolidated financial statements and group management report as of 31 December 2023 and covers the years 2023 and 2022.

Sustainability reporting is currently developing at top speed at national and international as well as sector-specific levels. TFL endeavours to follow these trends and to continuously develop its sustainability reporting.

We hope that you will find the information provided useful and that the following pages will give you an interesting insight into TFL's sustainability topics.

Rheinfelden, 23 February 2024

TFL International GmbH
General Managers [Geschäftsführer]

David Blatch

Henrik Pedersen



Company overview

Sustainability goals and strategy

According to section "5. Services" of Annex II of the Environmental Delegated Act (i.e. Climate Objective 4, "The Transition to a Circular Economy"), the manufacturing of leather is an economic activity that supports the transition to a circular economy in the context of the EU taxonomy for sustainable activities. TFL considers responsibly manufactured leather as a sustainable material. Farmers do not raise cattle for their hides to turn into leather as the value of a hide represents only a very small portion of the animal's total value but raise cattle for their meat or milk. Therefore, hides are a by-product of the meat and milk industry that – if not turned into leather – would result in millions of tonnes of waste every year, going into landfill or being burned. Instead, the hides are "upcycled" and turned into leather, a high-performing, time-less, elegant, versatile and long-lasting material. Sustainably manufactured process chemicals that enable a resource efficient tanning process and competent advise how to employ those chemicals are a crucial factor, and this is where the TFL Group has its role.

The Executive Board considers sustainability as a key strategic theme for the TFL Group and a driver for growth and value as well as an important element of risk management. Sustainability is firmly anchored into the organization. It is not the responsibility of one single function or department but it is the responsibility of each function to address, manage and drive sustainability-related matters.

In the year 2022 TFL has defined the following sustainability goals:

- Completion rate of TFL compliance program by relevant employees of 100% each year
- Reduction of lost time accidents (accident frequency rate = AFR) to < 0.40 per year in 2023 to 2025 and < 0.30 per year in 2025 to 2030 and a long-term AFR of zero
- Reduction of direct and indirect greenhouse gas emissions (scope 1/2) per kg produced by 20% until 2028 and by 50% until 2033 (compared to 2021) and carbon neutrality until 2040
- ZDHC gateway level 3 certified products as a percentage of the relevant global portfolio of 100% each year
- Increase of gross sales of products with a bio-based content of 50% or higher in the global portfolio as a percentage of the Group's gross sales of 2 percentage points each year



The TFL Group is
a leading provider of products
in the leather chemicals industry.



Business conduct

To pursue these goals, the business plan for the upcoming years presented to the Supervisory Board of TFL International GmbH has defined “Sustainability Drive” as a key strategic theme for the upcoming years and contains the following initiatives:

- Boost sustainable recycling concepts to turn tannery waste into products for new applications
- Further reduce energy usage, also by re-assessing the concentrated liquid format vs. powder format product mix, and move to green energy
- Focus R&D activities on innovating new bio-based solutions and on replacing or reducing fossil materials in the existent product portfolio
- Explore partnership options in the areas of chrome-free and biodegradable tanning technology as well as wastewater reduction in tanneries
- Strengthen its external sustainability ratings
- Effectively communicate and explain the sustainability cycle of leather as a material to the industry and to the consumer

Material issues

In the year 2022 TFL has started to perform a materiality analysis under the double materiality concept. The double materiality concept is based on the fact that an issue can be material from both a financial and a non-financial perspective.

It means that on the one hand TFL has to manage the impacts of environmental and social issues on its financial performance and business value. On the other hand, TFL has to manage the impacts of its business activities on people, society and the environment. TFL has identified the following material issues:

- Compliant business conduct
- High-performing employees
- Health and safety
- Sustainable production sites
- Sustainable product portfolio
- Purpose-driven industry relations and advocacy activities

The below chapters describe how TFL is addressing these material issues.

TFL supports the United Nation’s Sustainable Development Goals (“SDGs”) and evaluates its contributions to achieving them. TFL has identified the most important SDGs for the Group and has included references in below chapters.

In the year 2023 TFL was awarded with the EcoVadis silver medal for its sustainability management system, ranking within the top 25% of assessed companies. This shows an improvement compared to the bronze medal achieved in its prior assessment.



TFL’s mission is to be a good citizen for society – safe, clean and compliant.

TFL is committed to conducting its business in compliance with all applicable laws and company rules and requires all its managers, employees and third parties to act accordingly. To achieve this, the Group has established a comprehensive Compliance Program aiming at the prevention and detection of violations of law and company rules and, where required, the implementation of corrective measures for the avoidance of future violations.

The Global Compliance Officer is responsible for the overall implementation, monitoring and coordination of the Compliance Program. He plans, performs and supervises regular audits and leads investigations. He has in this respect authority to give instructions to every member of the Compliance Organization, which is comprised by local Compliance Officers in TFL’s subsidiaries, the Compliance Committee and the external Ombudsman. The Global Compliance Officer reports to the Executive Board but is independent in performing investigations and audits. In the event of significant compliance violations, management is informed immediately and in detail by the Global Compliance Officer. Additionally, internal audits and external insurance appraisals contribute to the assurance of compliance of the Group.

TFL’s Business Conduct Guidelines are the key element of the Compliance Program and an integral component of TFL’s corporate culture. They are a set of basic rules of legal, business and ethical standards to which the TFL Group commits. The Business Conduct Guidelines define TFL’s social responsibility and represent the standards which management, employees and all contractual partners of the TFL Group shall follow to protect the reputation of TFL as a well-respected company in the market that conducts its business ethically, fair, honestly and in full compliance with all laws and regulations. Amongst other topics, TFL’s Business Conduct Guidelines cover anti-corruption, money-laundering, data privacy as well as environmental, competition and labour law. Furthermore, they contain procedural rules that provide concrete directions on business behaviour for topics such as sponsoring, donations and gifts.

All existing employees globally are trained in the Compliance Program and its associated detailed Business Guidelines. New employees are trained as part of their on-boarding through online compliance sessions. In doing so, TFL contributes to the SDG 16 – Peace, Justice and Strong Institutions.

With regards to compliance TFL monitors the following quantitative information:

	2023	2022
Completion of compliance program by relevant employees ⁽¹⁾	100%	100%
Reported allegations of incompliance including corruption or bribery ⁽²⁾	–	–

(1) Percentage of relevant employees (all TFL employees excluding employees assigned to direct labour cost centres) that have successfully completed the TFL compliance program.

(2) Number of reported allegations of incompliance (including corruption or bribery) received through whistleblowing channels / the external Ombudsman.

TFL’s goal of a completion rate of the compliance program by relevant employees of 100% each year has been achieved in 2023.



TFL's mission is to be a safe and attractive place to work for its employees.

High-performing employees

TFL's mission is to be a safe and attractive place to work for its employees. Well-qualified and highly motivated employees as well as effective teaming are the prerequisites for the Group to achieve its financial and non-financial goals. Consequently, TFL is focussing on the following key points:

- Develop talent globally and at all hierarchical levels by providing interesting (cross-border) career opportunities as well as internal and external trainings
- Retain talent by providing competitive compensation (including retirement benefits), career opportunities as well as fostering a good corporate culture
- Boost (cross-functional) teaming and communication through tools such as the inhouse information exchange publication "Staff INsight" which is published quarterly and in 6 different languages
- Increase diversity in terms of gender and age (also considering upcoming retirements and succession planning), meanwhile the Group is already very diverse in terms of nationalities and cultural backgrounds

Employee structure

At the end of 2023, TFL Group employed a total of 1,017 employees that in the following table are broken down by region, gender and age:

	Europe	Asia	Americas	Total
Female	129	91	33	253
Male	349	334	81	764
Total TFL employees	478	425	114	1,017

	Europe	Asia	Americas	Total
Age group < 30 years	42	34	18	94
Age group 30-49 years	215	300	68	583
Age group ≥ 50 years	221	91	28	340
Total TFL employees	478	425	114	1,017

At the end of 2022, TFL Group employed a total of 1,081 employees that in the following table are broken down by region, gender and age:

	Europe	Asia	Americas	Total
Female	136	95	36	267
Male	391	340	83	814
Total TFL employees	527	435	119	1,081

	Europe	Asia	Americas	Total
Age group < 30 years	43	27	18	88
Age group 30-49 years	212	297	70	579
Age group ≥ 50 years	272	111	31	414
Total TFL employees	527	435	119	1,081

The Group uses the services of temporary workers, the majority of them supporting the production operations in India:

	2023	2022
Europe	5	11
Asia	76	72
Americas	4	5
Total temporary workers	85	88

At the end of the reporting period 2023, TFL employed 19 employees with disabilities that in the following table are broken down by region and gender:

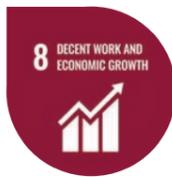
	Europe	Asia	Americas	Total
Female	7	-	-	7
Male	12	-	-	12
Total employees with disabilities	19	-	-	19

At the end of the reporting period 2021, TFL employed 22 employees with disabilities that in the following table are broken down by region and gender:

	Europe	Asia	Americas	Total
Female	9	-	-	9
Male	12	-	2	14
Total employees with disabilities	21	-	2	23



Employee compensation



TFL provides market- and performance-oriented remuneration to its employees, also contemplating factors such as responsibility, competences, experience and success. Minimum standards defined in local law and collective bargaining agreements are always considered. Age, gender or cultural background are irrelevant. In doing so, TFL contributes to the SDG 8 – Decent Work and Economic Growth and to the SDG 10 – Reduced Inequalities.



The ratio of the annual base salary of the highest paid individual to the median annual base salaries for all employees (excluding the highest-paid individual), as weighted average by subsidiary, was 5.24x in the year 2023 and 4.85x in the year 2022.

On average a remuneration that meets the definition of “fair wage” was paid to 100% of TFL’s employees in 2023 and 2022. In this context “fair wage” is defined as being a remuneration that is above 50% of the average wage in the respective country of the subsidiary.

The percentage of TFL employees that were eligible for social security either through the company or government programmes amounted to 100% in the years 2023 and 2022.

The percentage of total employees covered by “collective bargaining agreements” amounted to 73% in the years 2023 and 2022. In this context “collective bargaining agreements” are defined broadly and include agreements with unions and agreements with official representatives of the employees, such as works councils.



Management body

TFL is operated through a global functional structure and considers as “management body” the Executive Board as well as the functional Global Heads that directly report into the individual members of the Executive Board.

The following table discloses the diversity of the management body in terms of region, gender and age at the end of 2023:

	Europe	Asia	Americas	Total
Female	15%	0%	0%	15%
Male	85%	0%	0%	85%
Total management body	100%	0%	0%	100%

	Europe	Asia	Americas	Total
Age group < 30 years	0%	0%	0%	0%
Age group 30-49 years	8%	0%	0%	8%
Age group ≥ 50 years	92%	0%	0%	92%
Total management body	100%	0%	0%	100%

The following table discloses the diversity of the management body in terms of region, gender and age at the end of 2022:

	Europe	Asia	Americas	Total
Female	15%	0%	0%	15%
Male	85%	0%	0%	85%
Total management body	100%	0%	0%	100%

	Europe	Asia	Americas	Total
Age group < 30 years	0%	0%	0%	0%
Age group 30-49 years	15%	0%	0%	15%
Age group ≥ 50 years	85%	0%	0%	85%
Total management body	100%	0%	0%	100%



Health and safety

Health and safety are of the highest priority at TFL worldwide.

All of TFL's areas, offices, application centres, laboratories and production plants are subject to comprehensive general risk assessments covering all the risks, such as fire risk, chemical risk, operational risk (e.g. use of forklifts) and environmental risk. The implementation of the preventive measures is regularly checked by internal and external audits. In addition and particularly at its European and Chinese sites, TFL is subject to significant governmental inspection and approval regimes. TFL operates to these same, high, standards worldwide, which may exceed local norms. In the years 2023 and 2022 no significant incidents or enforcement actions have occurred at any of TFL's sites.

Safety management is critical in a high-risk industry such as chemicals. The COO is responsible for the leadership of safety improvement in the organization, assisted by the Global Head of Production. Together, they set policies and targets, drive improvements through the local teams and measure and track performance. The safety performance is reported to the Executive and Supervisory Board on a monthly basis.

The method for chemical processing risk analysis chosen by TFL is called HAZOP (HAZard and OPerability) and is internationally accepted as the IEC 61882 standard. The output of the risk identification and assessments are documented and used for the development of EHS objectives, plans and risk control measures. TFL also uses these results to create and update standard operating procedures for routine tasks. For non-routine tasks, the TFL management system requires work permits to be issued, confirming recognition and control of risks for all work performed.

TFL operates within the chemical manufacturing industry. The environmental risks for this industry are significant. The most material risk facing TFL is the significant environmental release of hazardous materials from one of the facilities. This would result in negative publicity and enforcement action from the authorities. This action could result in the forced closure of the site concerned, potentially causing business disruption. TFL is experienced in managing those risks and has put in place technical and operational measures such as technical safety reviews, vessel integrity inspections, provision of secondary containment for hazardous material storages and the requirement for trained and qualified operating teams.

In May 2020 TFL engaged a well-known expert consulting company to perform an in-depth review of its environmental, health and safety risks of its production sites, that did not identify any material issues during its assessment. TFL carries out such comprehensive external assessments every 3 to 5 years.

In regards to the supply chain, TFL's aim is to minimize risk at all stages in the shipping process— from loading right through transportation to unloading. TFL takes special care when shipping dangerous goods. Moreover, safety standards for especially dangerous products and raw materials go beyond the regulations for such substances.

Over the long term, TFL aims to prevent all workplace accidents and work-related occupational diseases. For this reason, TFL regularly analyses the accident rate by site as well as by region and type of accident.

With regards to health and safety TFL monitors the following quantitative information:

	2023	2022
Lost time accidents (accident frequency rate = AFR) ⁽¹⁾	0.38	1.21
Fatal accidents	-	-
Employees covered by safety management system ⁽²⁾	100%	100%

(1) Accidents with lost days / Actual hours worked X 200,000. An accident is an unplanned event resulting in personal injury or illness, combined or not with property damages. Accidents during transport from residence to working place are not taken into account (i.e. only accidents that happen "on the clock"). Accidents that result in at least one day's absence are considered.

(2) The percentage of own employees who are covered by the undertaking's health and safety management system based on legal requirements and/or recognised standards or guidelines.

TFL's goal of an accident frequency rate below 0.40 per year in 2023 to 2025 has been achieved in 2023.

Production sites

The TFL chemical production sites are located in France, Italy, Germany, China, India and Brazil. All major production sites are ISO 9001 certified, most production sites are ISO 14001 certified and several production sites are ISO 45001 certified.

Energy and CO₂ emissions

The production of leather chemicals can be considered as energy intensive. Since the consumption of energy results in the emission of greenhouse gases, particularly CO₂, TFL has responsibilities regarding climate change and the environment. Both from a responsibility but also from a profitability point of view, the ongoing improvement of its energy efficiency is a key topic for TFL. The Global Head of Production together with his direct reports at the local production sites are responsible for conducting energy reduction projects which often focus on process optimization and energy efficient equipment. It is also their responsibility to ensure that the wider team at the production sites is aware of the importance of energy efficiency so they are able to actively contribute to reducing the energy consumption.

Sustainability is present in the daily life of the production sites. Sustainability begins with the conception of new products where the sequence of production steps and their process variables are planned, considering the greatest possible optimization and the best technical use of the equipment. Planning the correct sequence of heating, cooling and chemical reactions directly impacts the reduction of necessary natural resources. Positive impacts are achieved by critically thinking about the daily planning of production batches, by reducing activities that do not add value and by optimizing the resources used under the principles of lean manufacturing. Further positive impacts are achieved by smartly designing new equipment or technically improving current equipment. The equipment is planned or resized following the most modern monitoring and control technologies, aiming to optimize the energy consumption in KWh per kg of goods produced.

Where feasible and economically reasonable, TFL is improving its energy mix towards a higher percentage of renewables. The use of sustainable energy sources such as solar energy contributes positively to the reduction of CO₂ emissions. The replacement of all site lamps with LED technology, the continuous maintenance of thermal insulation lines and the replacement of obsolete equipment such as large compressors with optimized equipment demonstrate the strong sustainability focus of TFL's investments. Other recent examples of actions related to reducing CO₂ emissions are the application of virtual modelling techniques to optimize temperatures and process speeds in spray-dryer equipment across several production plants and the use of modern fuels to generate steam with less environmental impact at the Brazilian plant. Thinking outside the box and critically reviewing all energy sources necessary for production processes has led the TFL production sites to constantly reduce their energy consumption per kg of goods produced.

Therefore, TFL contributes to the SDG 7 – Affordable and Clean Energy and to the SDG 13 – Climate Action.



With regards to energy and CO₂ emissions TFL monitors the following quantitative information:

	2023 - KWh	2022 - KWh
Electricity – renewable ⁽¹⁾	86,826	415,977
Electricity – unrennewable ⁽²⁾	13,678,200	15,360,161
Natural gas ⁽³⁾	19,883,885	35,414,716
Fuel – petrol ⁽⁴⁾	3,787,791	3,286,190
Steam ⁽⁵⁾	26,361,880	31,259,916
Compressed air ⁽⁶⁾	615,168	967,171
Wood ⁽⁷⁾	5,797,982	4,879,655
Total energy consumption	70,211,732	91,583,786
<i>Energy consumption in KWh per kg of goods produced</i>	<i>0.61</i>	<i>0.74</i>

- (1) Electricity produced on-site and obtained from a renewable energy source which is an energy source that is capable of being replenished in a short time through ecological cycles or agricultural processes, such as wind, solar, hydro, biomass or geothermal.
- (2) Electricity purchased externally and obtained from a non-renewable energy source which is an energy source that cannot be replenished, reproduced, grown or generated in a short time period through ecological cycles or agricultural processes, such as coal, fuel, gas, oil or nuclear power. This category also includes electricity contracts that do not specify the energy source, in which case the electricity mix is reflected in the conversion factor applied in the CO₂ calculation.
- (3) Natural gas purchased externally, including compressed natural gas or liquefied natural gas.
- (4) Petrol (gasoline) fuel purchase externally. It includes fuel purchased for the production plants but not for cars.
- (5) Steam purchased externally.
- (6) Compressed air purchased externally.
- (7) Energy consumption from wood, such as pallets burned.

	2023 - kg	2022 - kg
Direct greenhouse gas emissions (scope 1) CO ₂ e ⁽¹⁾	4,539,223	7,262,575
Indirect greenhouse gas emissions (scope 2) CO ₂ e ⁽²⁾	9,790,977	10,844,325
Total direct and indirect greenhouse gas emissions (scope 1/2) CO₂e	14,330,200	18,106,900
<i>Scope 1/2 CO₂e emissions in kg per kg of goods produced</i>	<i>0.13</i>	<i>0.15</i>

- (1) Conversion factors obtained from the UK Department for Energy "Government GHG Conversion Factors for Company Reporting".
- (2) Conversion factors obtained from Carbon Footprint "Country specific electricity grid greenhouse gas emission factors".

In comparison to the previous year electricity from renewable energy sources decreased in 2023. The reduction is due to the closure of the production site in Filago, Italy, in 2022 which generated energy through solar panels.

In 2023 TFL has reduced scope 1/2 CO₂e emissions in kg per kg of goods produced by 13% compared to 2022 which shows that the initiated measures are having a benefit. TFL's goal to reduce emissions by 20% until 2028 compared to 2021 has resulted in a 2023 target of 0.11 scope 1/2 CO₂e emissions in kg per kg of goods produced. Despite further intensified efforts to save energy and reduce emissions, in 2023 TFL has not achieved this target primarily due to relatively low production volumes and hence an inefficient use of the base energy that is required independently of the production output.

The energy and CO2 emissions presented above relate to the TFL production plants. Offices and laboratories are not included under materiality considerations. During the year 2023 TFL has launched a project to implement carbon accounting for scope 3 emissions.

Water



Water is a key resource in the production of leather chemicals. Water is used as a solvent within the products, as cooling water and to clean. Since water is a scarce resource, TFL is committed to use it responsibly and reduce the water withdrawal whenever possible. All of TFL's wastewater is going through a water treatment process before it is returned to nature or to the water cycle. By strictly following this process, TFL contributes to the SDG 6 – Clean Water and Sanitation.

With regards to water TFL monitors the following quantitative information:

	2023 - m ³	2022 - m ³
Tap water - municipal or other utilities ⁽¹⁾	84,888	97,936
Surface water ⁽²⁾	791,366	999,214
Ground water ⁽³⁾	39,242	49,355
Total water withdrawal	915,496	1,146,505
Total once-through water ⁽⁴⁾	781,325	998,256
Untreated wastewater ⁽⁵⁾	-	-
Treated wastewater ⁽⁶⁾	66,491	55,202
Total wastewater discharge	66,491	55,202

- (1) Water supplied by municipal water suppliers or other public or private utilities.
- (2) Water that occurs naturally on the earth's surface in ice sheets, ice caps, glaciers, icebergs, bogs, ponds, lakes, rivers and streams.
- (3) Water that is being held in, and that can be recovered from, an underground formation.
- (4) Once-through cooling water and water that is withdrawn and returned as clean water (e.g. from deionized water preparation).
- (5) All wastewater that is discharged and that does not meet the definition of "treated wastewater" or "untreated water".
- (6) Wastewater that is discharged after having passed through a process of improving the quality of wastewater and converting it into an effluent that can be either returned to the nature or incorporated to the water cycle with minimum environmental issues or that can be reused. This process can either be carried out by TFL on site or by a third-party provider outsider TFL's premisses.

The difference between the total water withdrawal and the total once-through water and wastewater discharge is due to the introduction of water into sales products, evaporation during production of powder products and use of water for gardening on the sites. The respective volumes are monitored.

The increase of the wastewater in 2023 in comparison to 2022 is primarily due to cleaning work performed in the context of the closure of the Leverkusen site in Germany.

Waste

The production process of leather chemicals leads to non-hazardous and hazardous waste. The primary goal is always to avoid waste; however, if this is not possible recycling options are explored. Non-recyclable waste is disposed responsibly.

With regards to waste TFL monitors the following quantitative information:

	2023 - kg	2022 - kg
Non-hazardous waste ⁽¹⁾	1,286,556	945,462
Hazardous waste ⁽²⁾	982,080	1,050,492
Total waste	2,268,636	1,995,954
<i>Thereof recycled ⁽³⁾</i>	<i>34%</i>	<i>35%</i>
<i>Thereof not recycled ⁽⁴⁾</i>	<i>66%</i>	<i>65%</i>

- (1) All waste that does not meet the definition of "hazardous waste".
- (2) Waste that possesses any of the characteristics contained in Annex III of the Basel Convention, such as being explosive, flammable, toxic or corrosive, or that is considered to be hazardous by national legislation.
- (3) Share of total waste that is disposed into a process of converting waste into reusable material.
- (4) Share of total waste that is not recycled (e.g. disposed through incineration, landfilling).

Total waste increased in 2023 compared to prior year mainly due to the scrapping of expired products at TFL's production site in Hyderabad, India.



Product safety is
a key element of TFL's
risk management.



Product portfolio

Product safety

Product safety is a key element of TFL's risk management. Chemical safety legislation and rules are continually tightening, examples applicable to TFL include the Restricted Substances List ("RSL") from customers, Registration, Evaluation, Authorisation and Restriction of Chemicals ("REACH") in Europe, new REACH-like legislation in many other countries (such as Turkey and South Korea) and the Toxic Substances Control Act ("TSCA") in the USA. The legislation and rules are fragmented, specific to certain customers and differ across the world. Additional complexity is coming from the multiple step nature of the value chain in which TFL's products are used and the requirement for TFL to assure chemical safety and the absence of contaminants through the value chain in multiple uses and multiple locations. TFL makes a significant effort to assure and prove the safety of all its products. Additionally, TFL monitors regulatory activities closely and constantly updates its products to remove substances of concern where necessary.

The REACH regulation will continue to develop in the chemical industry. All of TFL's current products made or sold in Europe are registered as required to ensure TFL's long-term market potential, especially in the field of its core competences. In 2023 TFL continued intensifying the work in the SIEF ("Substance Information Exchange Forums") which started in 2010. For each individual substance, the corresponding SIEF arranged and analysed the tests required for registration. TFL submitted the required REACH registration dossiers for the substances which accounted for sales

of 100 to 1,000 tons per year for registration by end of 2013. All other substances have been registered by the end of May 2018. Registrations for new materials for future sale and follow-up of current registrations remains a significant activity for TFL, not only in Europe, but as well in other countries that are currently implementing REACH like registries, such as Korea, Taiwan, Turkey or the UK.

TFL is an active contributor to the Zero Discharge of Hazardous Chemicals ("ZDHC"). The Roadmap to Zero program of the ZDHC is the world leading initiative to guide value chains in the fashion industry towards the use of safer chemistry. With its Manufacturing Restricted Substances List ("MRSL") it sets a standard in the industry. The MRSL lists more than 150 chemicals to eliminate from intentional use in chemical products utilized for leather manufacture. TFL is certified by a ZDHC approved service provider for compliance to absence of MRSL substances in all gateway-listed products. Additionally, TFL is preparing to move into the "progressive" level of certification, providing advice on RSL impact of the products, technical support on use and planning a hazard-rating to simplify selection of safer products. The certification validates TFL's processes in all major aspects of sustainable chemicals manufacture, such as: management control, product stewardship practices, raw materials selection and assessment, chemical manufacturing with regards to EHS, and communication of safety relevant information to customers and brands. The ZDHC certifications are a strong recognition of TFL's commitment to deliver the highest levels of product safety and sustainability in the industry.



Innovation for TFL is a core element to safeguard the leather business for a regenerative future.



At the end of the year 2022, 88% of TFL's relevant global product portfolio has achieved the ZDHC gateway level 3 certification. Re-certification has been completed in the year 2023 and 100% of the relevant portfolio in scope of the certificate is approved and published in the ZDHC gateway.

By following this certification process, TFL contributes to the SDG 12 – Responsible Consumption and Production.

Product innovation

Innovation is integral to TFL's mission, ensuring a sustainable future for its customers. TFL has formed successful partnerships with suppliers of new and natural raw materials to strengthen this sustainable path. As leather is a natural by-product, it is logical for TFL to increase the utilization of other natural materials from various industries. TFL recognizes the importance of sustainability and has developed and launched valuable products that meet the needs and demands of customers.

TFL has proactively integrated sustainability initiatives into various events worldwide. The efforts to raise global awareness have included showcasing TFL's fashion collection, advertising, and producing podcasts. TFL has presented its concept and sustainable solutions at international and local events such as The All-China Leather Exhibition ("ACLE"), The India International Leather Fair ("IILF"), held workshops for the Asia Pacific region at TFL's facilities in Changzhou, China, and presented at The American Leather Chemists Association ("ALCA"). In addition, TFL offers indi-

vidual presentations with focus on sustainability for major customers through webinars or on-site meetings.

TFL, the leading supplier of chemicals for natural leather, has already launched a number of innovative products in both the wetend and finishing sectors. Here TFL clearly identifies any product, wetend or finishing, with a renewable content of minimum 50% with a "PURE" name. TFL has developed a unique IT tool that allows customers to easily calculate the bio content of leather, removing any guesswork. This tool has been highly appreciated by tanneries.

At the end of the year 2023 TFL's portfolio contains 116 products (2022: 98 products) with a bio-based content of 50% or higher. In the year 2023 the products with a bio-based content of 50% or higher accounted for 4.3% (2022: 4.0%) of the Group's revenue. TFL's goal to increase this percentage by 2 percentage points each year resulted in a 2023 target of 6.0%. Meanwhile the percentage has improved by 0.3 percentage points in 2023 compared to prior year, it is 1.7 percentage points behind target. TFL was not able to achieve the ambitious target in 2023, since the challenging business environment for leather limited the tanneries' willingness and ability to change to innovative products.



Industry relations and advocacy activities

As one of the leading manufacturers of leather chemicals in the world in a very fragmented leather marked with many medium and small sized players, TFL believes that production of natural and sustainable leather will have a great future if everyone in the extended supply chain works together towards this common goal. TFL acknowledges the significant role it has within the leather community and strongly believes that an active involvement in several industry associations is the best way to form a strong “sustainability industry alliance”. In doing so, TFL contributes to the SDG 17 – Partnerships for the Goals.

TFL is an active member in the Leather Working Group (“LWG”), a not-for-profit organisation responsible for the world’s leading environmental certification for the leather manufacturing industry. The LWG has over 1,300 members from the entire leather supply chain, including brands, retailers, traders, tanneries, manufacturers and suppliers of chemicals, machinery and testing. The LWG has defined industry standards and audit tools to assess the environmental performance of leather manufacturing facilities. Furthermore, the LWG performs audits of leather manufacturing facilities and provides certification if the industry standards are met. The LWG’s Executive Committee has nine members, thereof four representatives of audited leather manufactures, four representatives of brands and one representative of suppliers. Since April 2021, a TFL senior manager is the supplier representative in the LWG’s

Executive Committee which evidences TFL’s very strong engagement in the organization.

TFL supports and is a member in Leather Naturally, a not-for-profit industry organization that focuses on education and the promotion of the use of globally manufactured sustainable leather and seeks to inspire and inform designers, creators and consumers about its beauty, quality and versatility. Leather Naturally strongly believes that leather responsibly manufactured through efficient and modern processing techniques is a valuable alternative for oil-based products such as plastics (e.g. PVC, Polyester). Furthermore, Leather Naturally supports best practices towards a circular economy in the leather manufacturing process. TFL is deeply involved in the Leather Naturally organization, as two TFL senior managers hold positions in their Supervisory Board and are Directors of its Management Board.

TFL in addition is one of the founding members and supporters of One4Leather, a special industry campaign focussing on the use of leather in automotive interior applications.

In addition to these major industry initiatives, TFL is a member and supports financially many national industry associations around the world and sponsors industry networking events that work towards the common goal of responsible chemical production and natural and sustainable leather manufacturing.

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