

2021

Sustainability Report



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Letter From Our CEO And President

Dear Ultrafabrics customers, partners and stakeholders,

We are proud to publish Ultrafabrics' inaugural sustainability report to include environmental and social performance measures. Since founding Ultrafabrics 22 years ago, a commitment to responsible community engagement and care for our people and planet have always been core values. In 2019 we engaged in an intensive strategy development process to take our sustainability commitments to the next level. We engaged business leaders across the company as well as external expertise to assess our current state across a full range of sustainability issues. We set ambitious long-term objectives to guide our work in each area where we can make the biggest positive impact.

As a future-focused company, our vision is to pioneer innovative materials that conserve resources and protect the wellbeing of people & planet. Guided by our new sustainability strategy, we formed a sustainability working group to build on our core strengths in product quality, material innovation, and transparency to enhance our leadership in social and environmental responsibility. We began 2020 with renewed focus on building

out the programs and initiatives to achieve our ambition. 2020 brought immense and unexpected challenges. Global health and economic crises could easily have pushed sustainability goals off the agenda, and yet, the needs to protect, preserve, and promote human health, diversity & inclusion, to conserve natural resources, and to address climate impacts have never been more apparent. Despite the uncertainty and obstacles that we, along with our customers and suppliers, faced, we came together in new ways to move our work in sustainability forward. From deploying water conservation techniques and further developing our line of biobased materials to improving workplace safety and continuing our material donation program, we followed through with planned first steps in implementing our new sustainability strategy. We set additional near-term targets, established tracking systems to manage comprehensive ESG data, and developed a full sustainability report for the first time. We are immensely proud of the accomplishments and commitment our people demonstrated.

Despite the challenges and uncertainty our world continues to face, we are optimistic. If Ultrafabrics can stay on track through the first year of sustainability strategy implementation in a year like 2020, there is no telling what we can accomplish together in the years to come! We look forward to partnering with each of you as we work towards a more sustainable, brighter future for our industry, and for the generations to come.

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



About This 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. This report has been developed by Ultrafabrics, Inc, with the support of DKK. 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 Ultrafabrics. Management and governance activities within DKK are excluded from the scope. Our 2019 materiality assessment, which informs the material topics covered in our report, included stakeholder engagement with Ultrafabrics Inc. USA stakeholders only, and excludes DKK management, governance, and stakeholders, but similarly includes manufacturing activities in its scope.

Reporting Year: January 1, 2020, through December 31, 2020, unless otherwise noted.

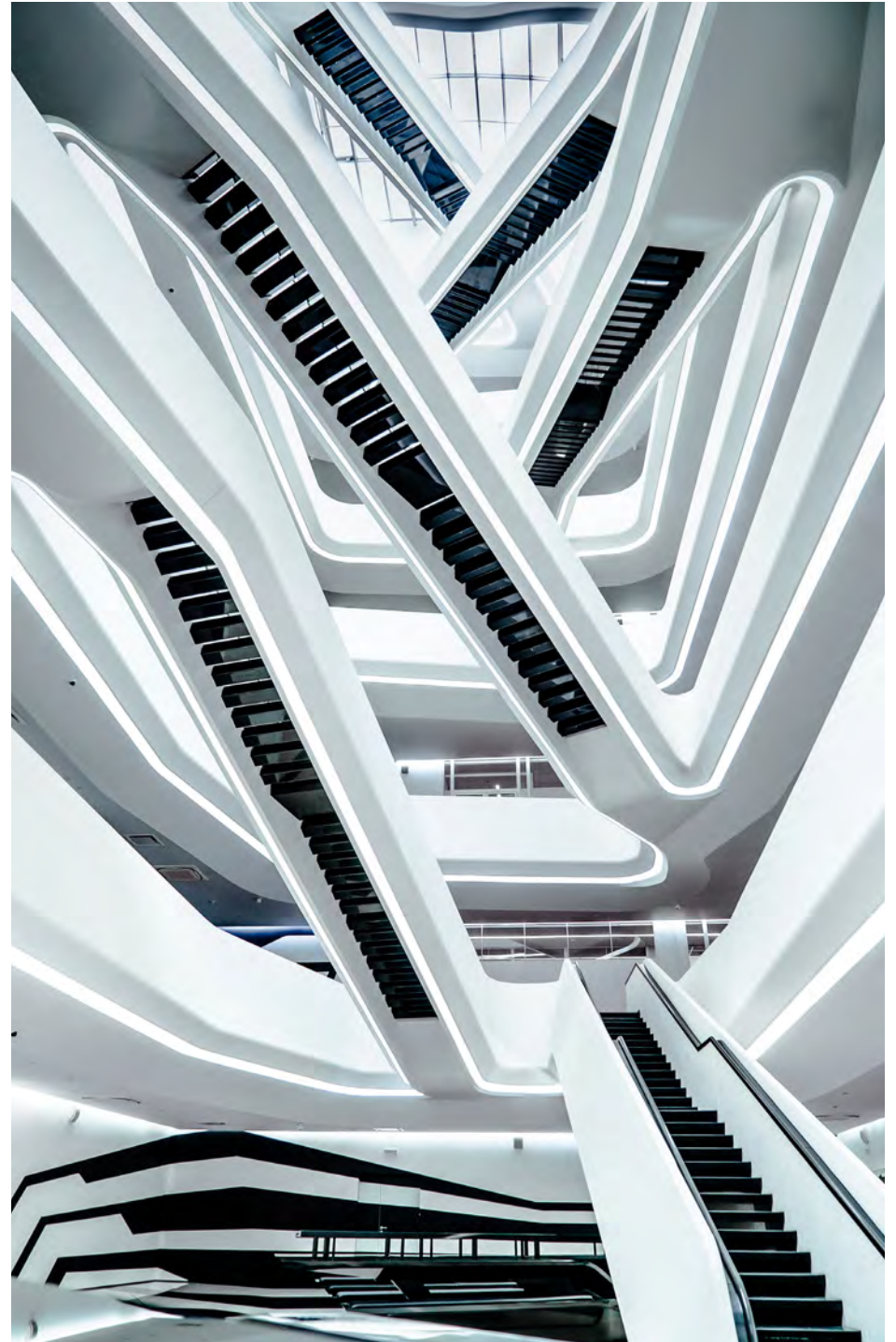
Company Overview

Ultrafabrics creates future-forward luxury materials, designed to do better. Based in state of the art Japanese engineering, we design intelligent, next-generation fabrics that combine high performance functionality, sensorial comfort and sustainability-focused durability in countless design styles.



Our Vision

As a future-focused company, we aim to pioneer innovative materials that conserve resources and protect the wellbeing of people and the planet. We're building on core strengths in product quality, material innovation, and transparency to enhance our leadership in social and environmental responsibility.



Our Values

Pioneering

Our craftsmanship is constantly honed and constantly evolving with new technologies for intelligent surface solutions. We are not watching the horizon, we are on it.

Ambitious

We are relentless in our pursuit of perfection. From new innovations to custom creations, we hold ourselves to a standard beyond usual expectations.

Humanistic

Our process is hands-on. Our culture is passionate. We are driven by solving the needs of the real world. Our product is for humans, not things. We are ethical, sustainable and future-focused - with planet and people in mind.

Inspiring

We create possibilities through ever-evolving platforms for expressing imagination and creativity. We develop solutions that inspire our clients to dream bigger.

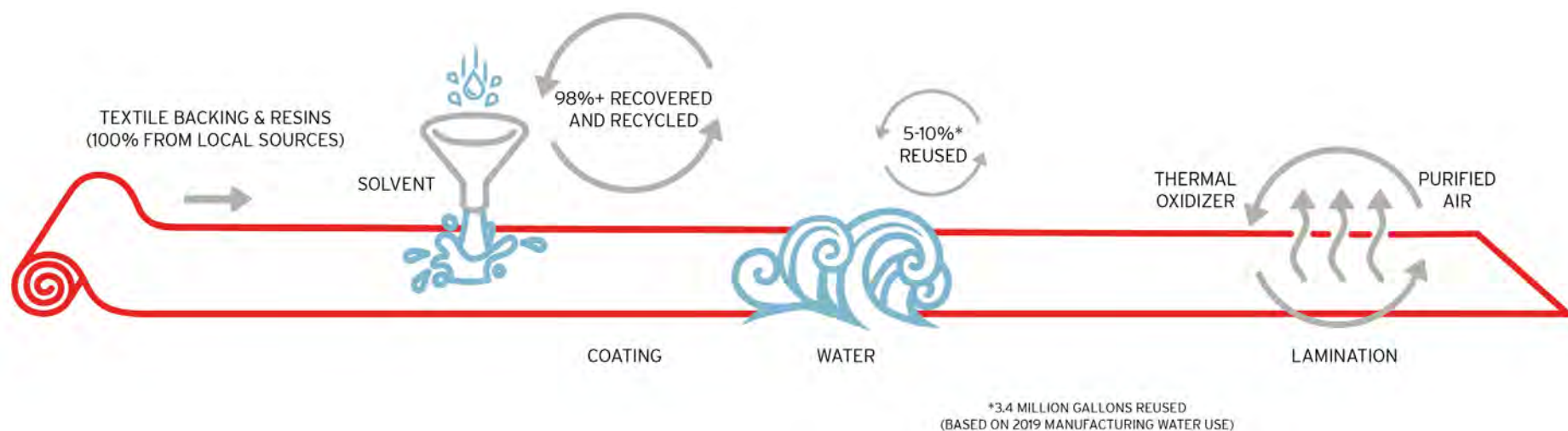
Sophisticated

Our product is a cornerstone of tomorrow's luxury: conscientious comfort delivered by a material unlike any other.

Versatile

The markets we serve are as diverse as the fabrics we create. From innovations to custom solutions, we provide limitless opportunities.

Responsible Manufacturing



Responsible manufacturing is part of our DNA, and embedded within our proprietary Takumi technology, which instills the principles of craftsmanship and care within our manufacturing process. As a vertically integrated performance fabrics company, we have significant control over our supply chain and are uniquely positioned to ensure our products are made as safely and sustainably as possible.

Ultrafabrics products are manufactured at our ISO 14001 certified mills in Japan. We source 100% of our primary raw materials (resins and backcloth) from local suppliers, thereby reducing the environmental footprint from transportation. These inputs are then transformed into finished fabrics through manufacturing processes designed to minimize our environmental impact. We use heat exhaust to power many of our machines, recover and recycle over 98% of all solvents, reuse between 5% and 10% of water through recycling in our coagulation baths, and have installed new energy-efficient equipment for lamination and surfacing. In addition, our products are 100% free of PVC, HFR's, and plasticizers.

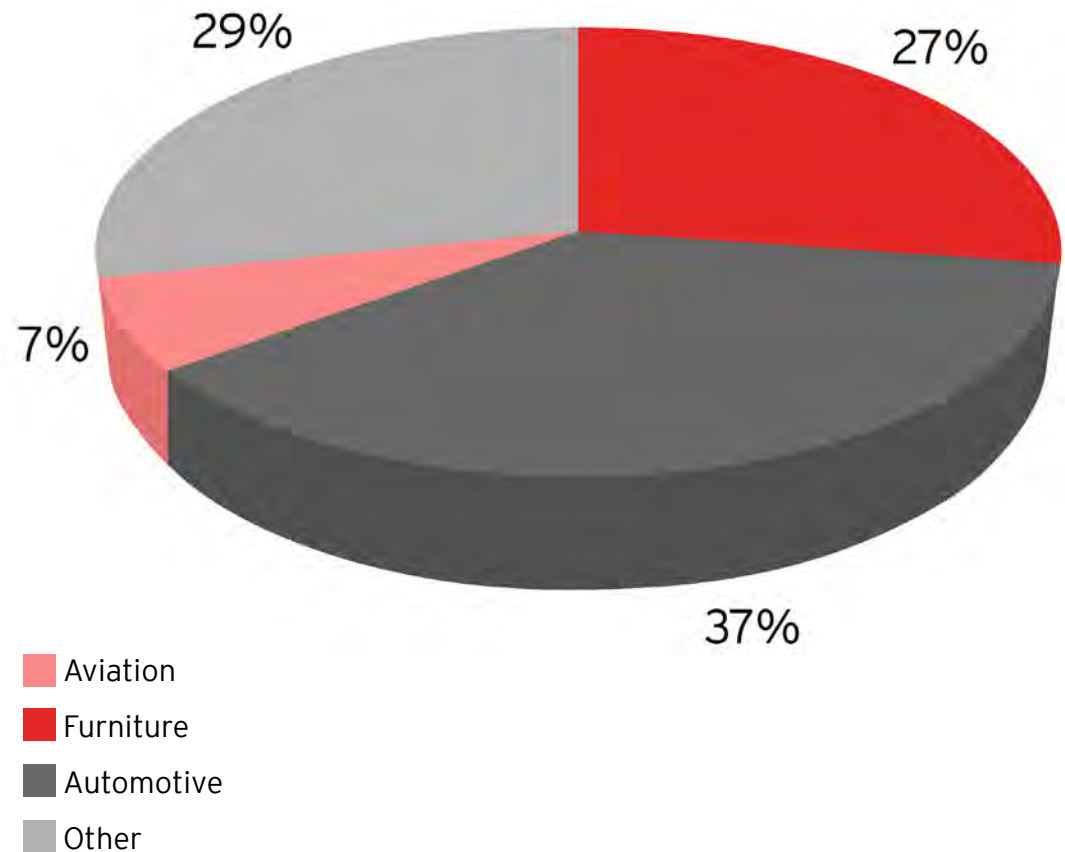
Ultrafabrics Supports Japan's Pledge for Carbon Neutrality

In 2020, Japan's Prime Minister pledged that the country will be fully carbon neutral by 2050. We are proud to support this ambitious approach to climate leadership, which will help to reduce the carbon footprint of our products and all others manufactured in Japan and is an important step towards meeting the Paris Climate Goals.

As part of our commitment to helping meet the carbon neutrality pledge, we recently approved plans to install solar panels at our warehouse and mill in Japan. This investment in renewables will further reduce the energy use and emissions associated with our production: in 2020, the manufacturing of our products generated carbon emissions at an intensity of 3.98kg CO₂/yard. We continue to seek out every opportunity to enhance energy-efficiency, source clean energy, and advance the journey towards carbon neutrality.

2020 in Review

The markets we serve are as diverse as the fabrics we create. With unique design, high-functionality and exceptional feel, our animal-free polyurethane fabric has broad application across many industries, including automotive manufacturers and aviation, furniture, healthcare, and apparel.



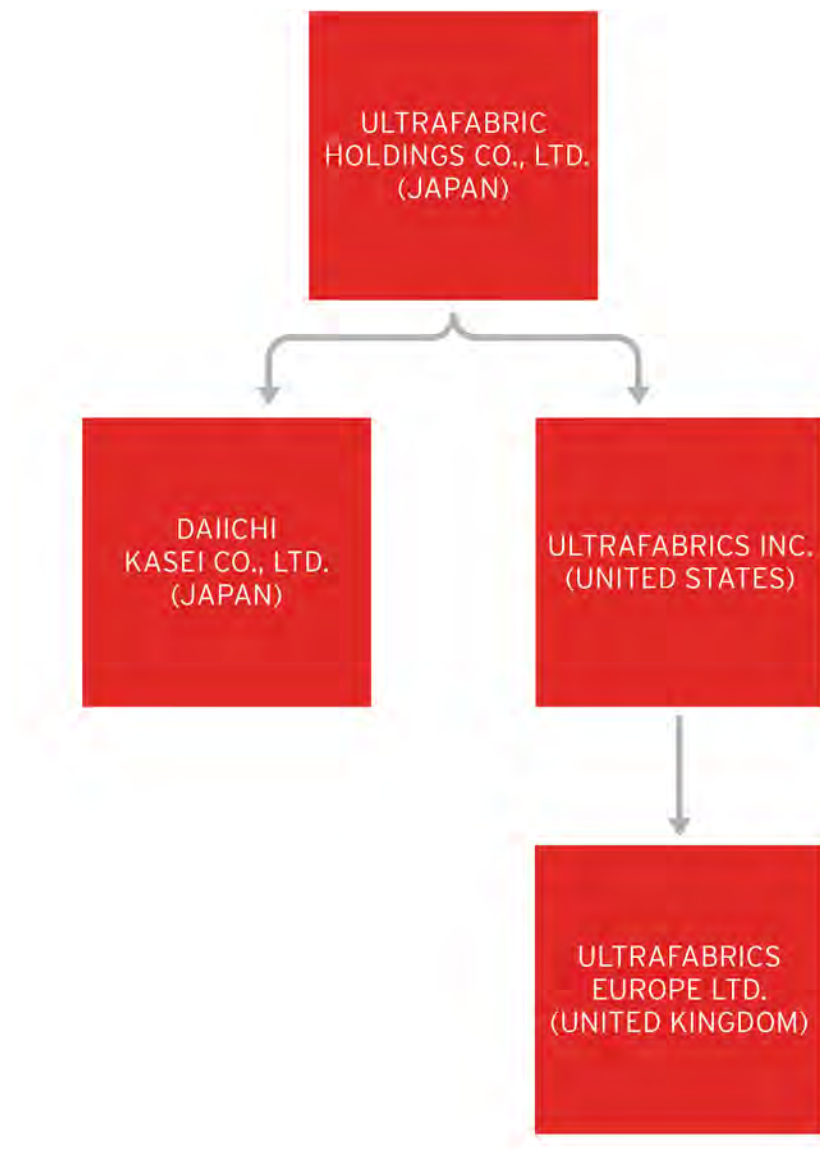
Our Business

Ultrafabrics Holdings Co., Ltd. (“UFHD”), a holding company of the Ultrafabrics Group (“Uf Group”) headquartered in Japan, formerly known as Daiichi Kasei Co., Ltd. (“DKK”), was established on January 12, 1966. As a result of an acquisition of Ultrafabrics, LLC (“Uf LLC”) located in the US, DKK changed its name to UfH in October 2017.

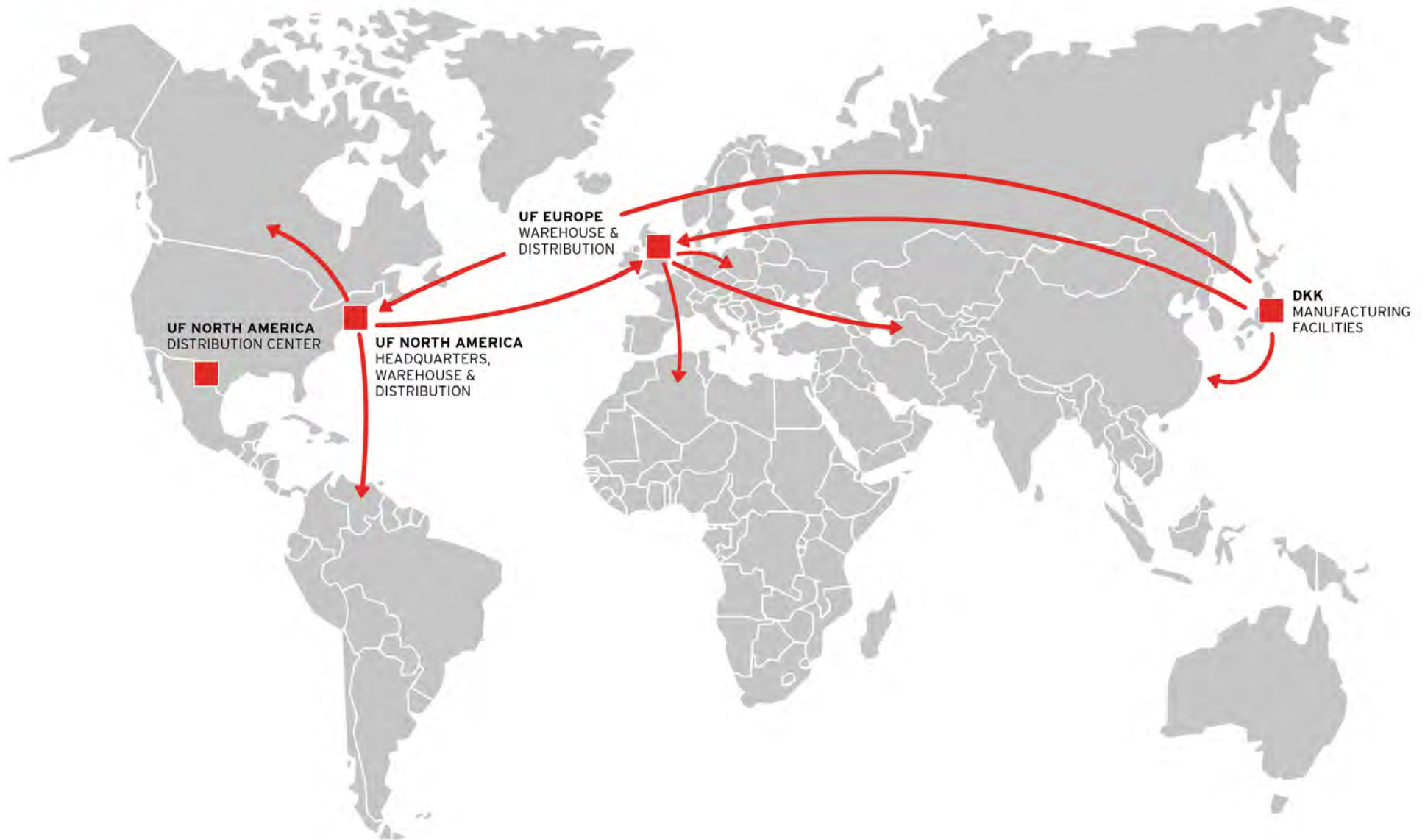
DKK, a manufacturing company located in Japan, was established May 22, 2017. As a result of business transfer from UfH to DKK, DKK engages in the manufacturing of high quality polyurethane material.

Ultrafabrics Inc. (“UFI”), a wholly owned US subsidiary of UfH, is engaged in import, distribution, sales and marketing.

Ultrafabrics Europe (“UFE”) is a wholly owned subsidiary of UFI and is engaged in distribution, sales and marketing within European markets. The Ultrafabrics flagship showroom is located in London, United Kingdom.



GLOBAL SUPPLY CHAIN



ULTRAFABRICS HOLDINGS
HACHIOJI FIRST SQUARE BLDG. 6F
3-20-6 MYOUKIN-CHO, HACHIOJI
TOKYO 192-0046 JAPAN

HEADQUARTERS
303 SOUTH BROADWAY - STE 201
TARRYTOWN, NY 10591

US DISTRIBUTION
4 WAREHOUSE LANE
ELMSFORD, NY 10523

US DISTRIBUTION
12117 SPIVEY DRIVE - STE B
LAREDO, TX 78045

UK, EU DISTRIBUTION
114 THE BURROWS, EAST GOSCOTE
LEICESTERSHIRE, LE7 3XD, UK

Our Products

Ultrafabrics is in a category of its own. Through a broad portfolio of unique textures and collections, we create possibilities that inspire our clients to dream bigger. We continue to elevate the expectations of animal-free fabrics by raising the bar on comfort and performance.

Our products are comparatively lightweight - roughly 50% lighter than automotive grade leather and 30% lighter than conventional PVC. In applications like aviation and automotive, this improves fuel efficiency and results in fewer emissions produced over the lifetime of the vehicle or airplane.



Takumi™ Technology

Our proprietary Takumi manufacturing technology takes its name from the Japanese word for artisan. It involves applying the principles of craftsmanship to maximizing the performance of each of the four layers. In this way, we make the most effective use of resources to produce durable and desirable materials that carry a reduced environmental impact over their full life cycle.



Surface Layer

- Adds extreme durability with ease of care and low maintenance
- Protects from stains
- Withstands cleaners and disinfectants
- Non-allergenic and odor free
- Liquid and moisture repellent

Topskin Layer

- Unique polycarbonate resins, engineered for maximum hydrolysis resistance and enduring strength
- Quality pigments are infused for lasting color vibrancy
- Consistent grain retention

Microfoam Layer

- Polycarbonate foam structure for added comfort
- High moisture transfer provides ultimate thermal comfort for body climate regulation

Substrate

- Reinforced rayon fibers, or blends, provide dimensional stability
- Superior foundation delivers high performance and upholstery ease

Employee Safety Under Covid-19

The skills and dedication of our employees are one of Ultrafabrics' most important competitive assets. Keeping them and their families safe and healthy has always been a priority for our business and is even more so in the midst of the COVID-19 pandemic.

Due to the nature of our business, it is not possible to transition completely to a model where all employees work from home all the time. However, we have responded to the pandemic with a range of measures that minimize the requirement for employees to travel for work and help to maintain COVID-19-secure workplaces. As of January 1, 2021, no COVID-19 cases have been identified at any of our locations.

We ask our employees to work remotely when and where possible and have developed a new division of shifts protocol for factory workers. This minimizes the number of people working on-site, and therefore the risk from COVID-19.

We have also developed safety guidelines for all employees and visitors. These include requiring everyone present at our facilities to wear a mask, checking the temperature of every employee and guest on their arrival and making hand sanitizer readily accessible. We have initiated daily cleaning of our offices, posted prominent social distancing signage at every location, and established clear protocols around all aspects of social distancing, including the use of meeting rooms.

The HR department at every Ultrafabrics site is equipped with a fingertip oximeter, which measures blood oxygen levels and can provide early warning that a person is experiencing dangerous symptoms as a result of COVID-19.

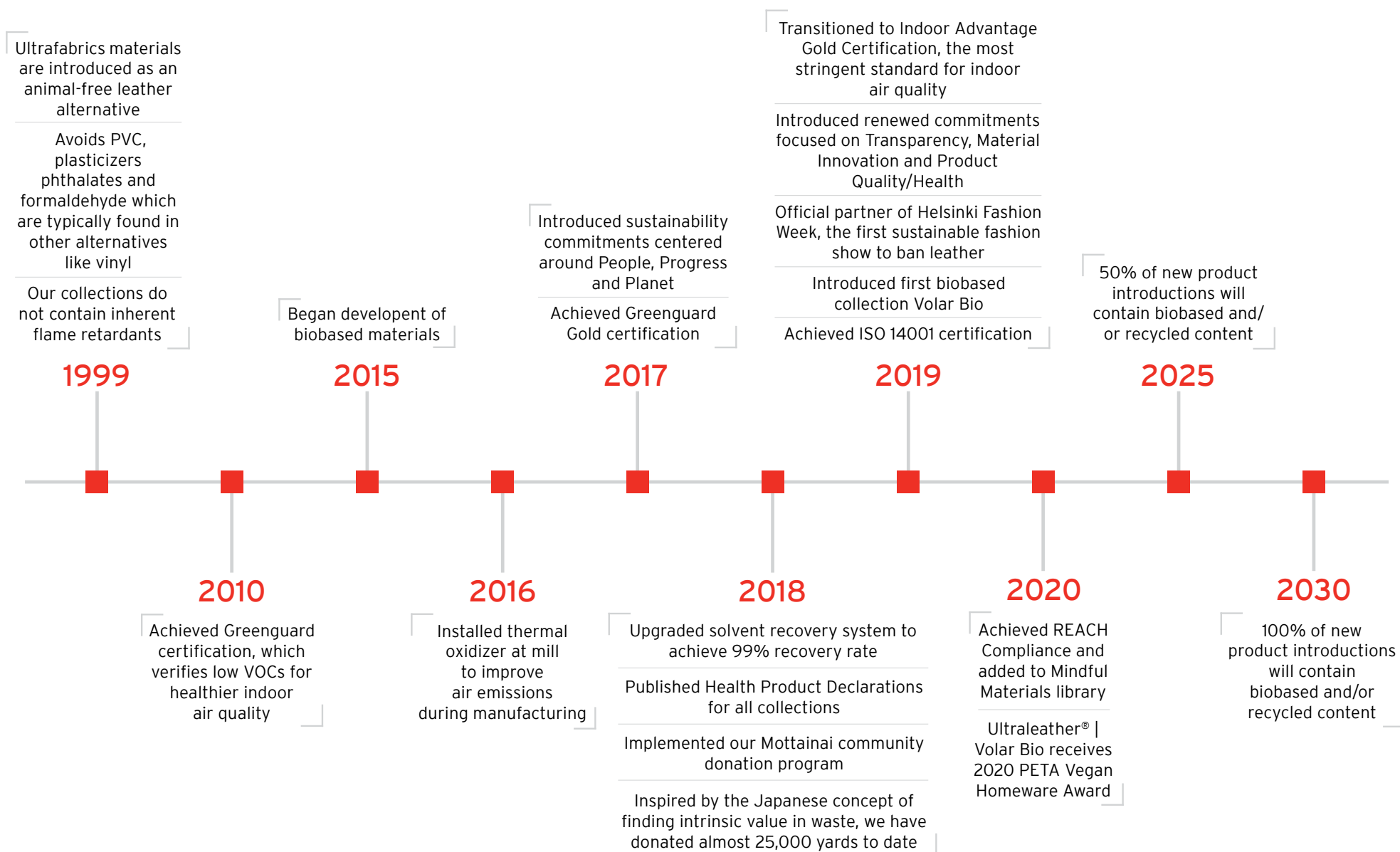
Our senior management team holds periodic town hall meetings to keep employees informed about our response to the pandemic.

We have developed a comprehensive Return to Work Action Plan and provided this to all employees. We also issue real-time updates in the event of new guidelines on travel and quarantining from the Centers for Disease Control (CDC) or the New York State Governor. In line with current guidelines, we require all employees and guests to complete health self-declaration forms.

Our Japanese manufacturing arm, DKK, has implemented several measures to protect the safety of our workers while allowing production to continue. These include:

1. Mandatory mask-wearing on-site
2. Making hand sanitizer freely accessible
3. Limitations on all international and domestic travel
4. Restricted movement between production facilities and our HQ and manufacturing facilities
5. Morning Temperature checks
6. Designated meeting locations for outside business partners that are regularly cleaned and activity monitored with reduced capacity, proper ventilation and required mask-wearing

Our Sustainability Journey



Our Approach: Sustainability Management

Ultrafabrics' commitment to sustainability is fundamental to our values, mission and business strategy. Our Sustainability Committee is responsible for overseeing and implementing our sustainability strategy and ensuring that it is integrated into our operations. The committee is comprised of nine senior leaders from across Ultrafabrics, who represent key business functions such as engineering, branding, quality, design, merchandising, and operations. We have partnered with a sustainability consulting firm to provide technical guidance on Environmental, Social and Governance (ESG) management and align our approach with current best practices.

Aligning with International Standards & Frameworks

We are developing an ESG management framework that is aligned with current international standards. During 2020, we achieved ISO 14001 certification for all our manufacturing facilities in Japan and U.S. headquarters, which recognizes that we have rigorous environmental management systems in place. We have also recently transitioned to SCS Indoor Advantage Gold Air Quality certification on all collections, which is the most stringent standard for indoor air quality globally.

Our manufacturing facilities are certified to the ISO 9001 standard for quality management, and the IATF16949 international standard for quality management in the automobile industry.

In addition, all Ultrafabrics products, regardless of end market, comply with the EU's regulation on the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH), which is considered one of the strictest chemical substance standards globally.

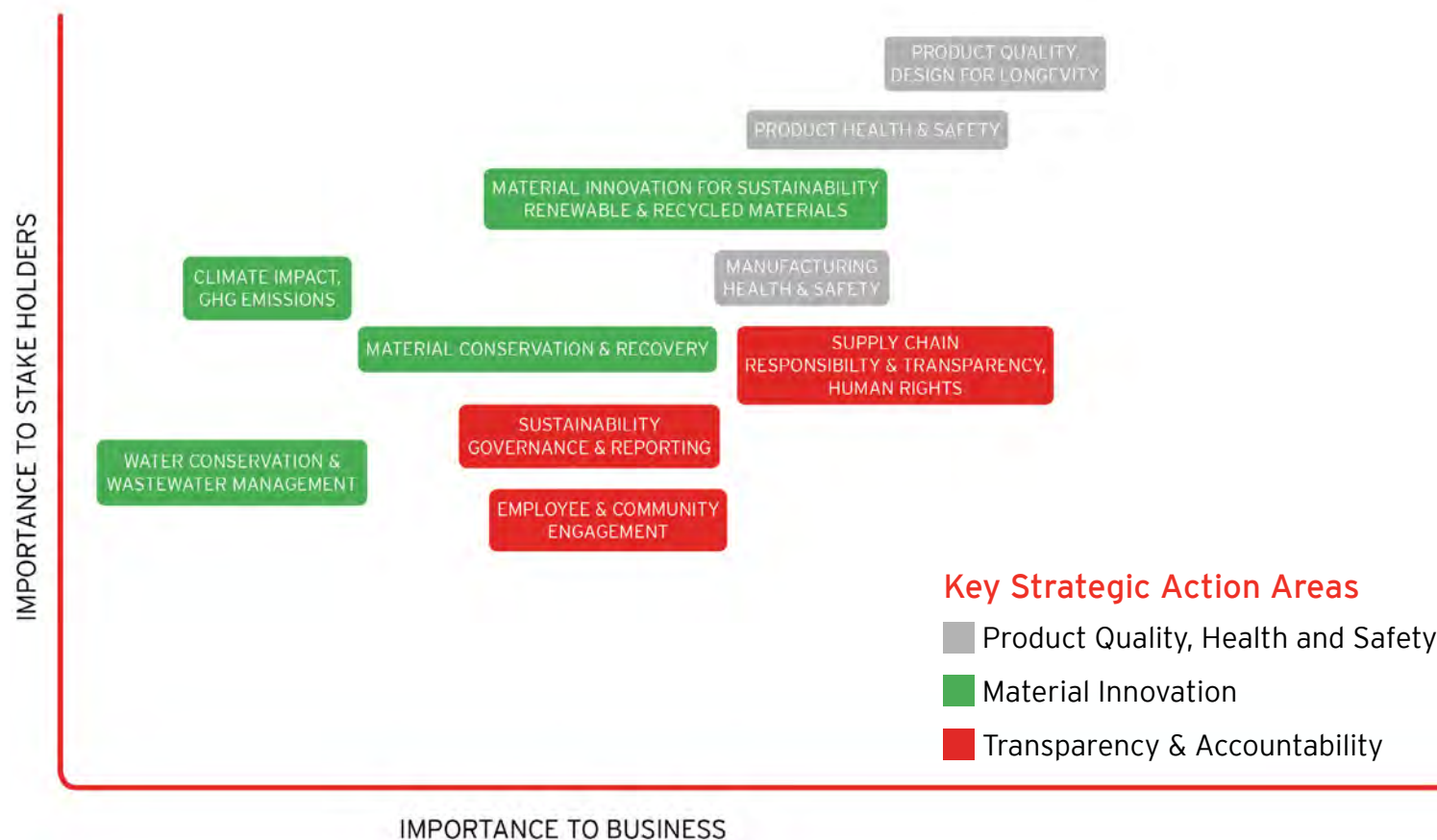


Materiality

In 2019 we conducted a comprehensive ESG materiality assessment to inform the development of a focused sustainability strategy for Ultrafabrics. A materiality assessment is a widely used approach, which identifies the most important topics for a company to track and report on and focuses on key areas of overlap between business success and importance to stakeholders. Following established best practice, we engaged a third party to gather input from internal and external stakeholders, analyze results to develop a preliminary materiality matrix, and validate these results with Ultrafabrics' senior leaders.

Our materiality assessment identified the following ESG issues as being most material to our business and of highest priority in guiding our strategy going forward:

Materiality: Priority Material Topics



Additional Topics

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

Governance: Risk management, corporate governance

Social: Employee wellbeing, culture of sustainability, equal opportunity, inclusion, worker voice, women's empowerment, community development

We have structured our approach to sustainability around the three key themes to emerge from this process:

- Product Quality, Health and Safety
- Material Innovation
- Transparency and Accountability

This first report includes updates on all priority material topics, including baseline metrics and performance data where available. It is our long-term commitment to continue expanding the scope of reporting to include additional metrics, along with time-bound, measurable targets, and consistent measures of performance over time.

In addition to the priority material topics, we will continue to manage, monitor, and report activity on the additional material topics listed above. We will also update our materiality assessment periodically, to ensure that we respond to important changes in our industry and the sustainability landscape.

Sustainable Future

Ultrafabrics exists to provide our customers with engineered fabrics that offer a higher-performing, sustainable alternative to animal-based products. We supply leading brands across the aviation, automobile and furniture industries with hard-wearing materials that help to reduce waste and demand for natural resources.

Our vision commits us to pioneering innovative materials that conserve resources and protect the wellbeing of people and the planet while meeting customers' needs for durability, comfort and sophisticated aesthetics.

We plan to measure our progress through our Environmental, Social and Governance (ESG) framework, which sets clear objectives in three areas that are fundamental to our strategy. In each of these areas we have defined an end-goal, identified the strengths that we can build on to reach that goal, highlighted the actions we will take and the metrics we will use to measure progress. We commit to reporting transparently on the impacts of our business and the progress we make in reducing them.



Product Quality, Health and Safety

Our End-goal

“Ultrafabrics makes the highest quality, healthiest product for a lifetime of wellbeing.”

How We'll Get There

Product quality is a key element in the Ultrafabrics strategy, and an important differentiator for 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.

PRODUCT QUALITY, HEALTH, & SAFETY

QUALITY:
DESIGN FOR LONGEVITY

PRODUCT
HEALTH & SAFETY

PROCESS
HEALTH & SAFETY

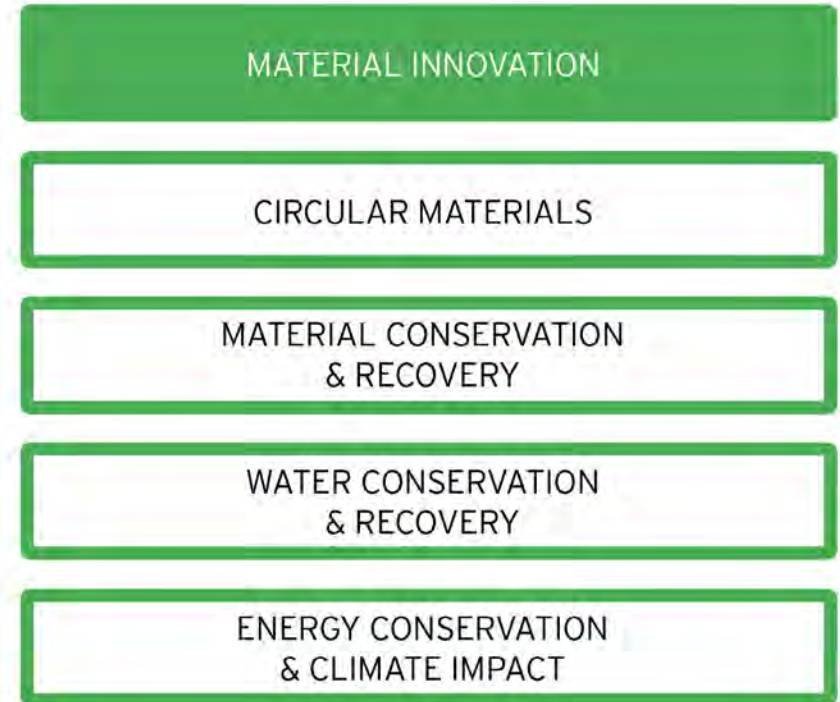
Material Innovation

Our End-goal

“Through continuous innovation, we are creating the materials of the future. We challenge ourselves to conserve resources and shift towards more circular design.”

How We'll Get There

Our business is designed to innovate, with a vertically integrated structure that enhances our ability to experiment, pilot new materials and anticipate future customer needs. We will focus this capacity for innovation on designing materials and manufacturing processes along circular economy principles. This includes recovering and conserving materials, water and energy. It also includes breakthrough products such as Volar Bio, our plant-based alternative to traditional leather, which reduces the carbon footprint of furnishings and has received the PETA Vegan Homeware Award.



Transparency and Accountability

Our End-goal

“We seek full transparency and worker well-being throughout our supply chain. We set ambitious targets for social and environmental responsibility and hold ourselves accountable for measuring and reporting our progress.”

How We'll Get There

We will continue to build an inclusive working environment that supports wellness and growth for all employees and enables a culture of sustainability. We will increase the transparency of our supply chain, including assessing suppliers for compliance with human rights standards. We will continue to report consistently against the targets and KPIs described in this report.

TRANSPARENCY & ACCOUNTABILITY

SUPPLY CHAIN
TRANSPARENCY

GOVERNANCE & REPORTING

ENGAGED EMPLOYEES
AND COMMUNITIES

Product Quality, Health and Safety



We design our products to protect both the environment and human health at every stage of their life cycle. This includes the materials and chemistry contained within our fabrics, the impact of the processes used to manufacture them, and the way they are cleaned and maintained. Our exceptional product quality and durability support the circular economy principles of longevity and extended life cycles and minimizes end-of-life waste.

Ultrafabrics is Committed to Safe Chemistry

During 2020, we took significant steps to restrict the use of substances of concern in our products and provide clear guidance on how those products can be used and cared for safely.

The polyurethane manufacturing process requires organic solvents to coat polyurethane resin onto a backcloth during the coagulation process. Managing these solvents responsibly is important for the safety of both our employees and the users of our products.

Over the past year and a half, we have improved the rate at which we recover and reuse solvents from polyurethane manufacturing. We now capture and reuse more than 98% of all solvents from the water in the coagulation bath.

As part of our ISO 14001 certification, we have established a rigorous process for managing and reducing the release of effluents. All our facilities operate within acceptable regulatory thresholds for impacts on water quality. We have also established a system for monitoring and reducing emissions of Volatile Organic Compounds (VOCs) and their impact on air quality both at our facilities and for the wider community.

In 2020, we expanded our Restricted Substance List, which now excludes the following chemicals and other components from Ultrafabrics products:

- Conflict Minerals
- Flame Retardants
- Heavy Metal Stabilizers
- PFOAs (Perfluorooctanoic Acid)
- Plasticizer Phthalates
- POPs (Persistent Organic Pollutants)
- PVC (Polyvinyl Chloride)
- Other toxic by-products

All Ultrafabrics suppliers are required to complete our environmental disclosure form, which captures information on all chemical components consistently and transparently.

To ensure our products remain beautiful, durable, and healthy they require regular upkeep. However, traditional cleaning products contain chemicals that can be harmful to the environment. As part of our commitment to product health and safety, we have tested a range of environmentally friendly, non-toxic cleaning products and methods. These methods include ultraviolet (UVC) light, which is an alternative to chemical disinfectants and electrostatic sprays, which uses less solution by applying an even coating. The cleaning efficacy of non-toxic UVC light has been tested on our products by Honeywell (Honeywell Effect of UV-C on Aircraft Interior Materials)

against flame retardancy, strength and appearance. In the study, ultraviolet (UV-C) light, generated by the Honeywell UV Cabin System, was tested on 14 Ultrafabrics materials inside an aircraft cabin. For all samples tested, the tactile “feel”, as well as bending properties appeared unchanged, with no cracking visible under magnification. We are now promoting the use of these products across our customer base for all products.

During 2020 we achieved REACH compliance for all Ultrafabrics products, and our products were included in the Mindful Materials library. The mindful Materials library aggregates vetted products with strong transparency around environmental and human health impacts, to help designers easily identify sustainable materials.

Our Goals and Targets

We have set goals and targets focused on driving continuous improvement across all areas of product quality, health and safety

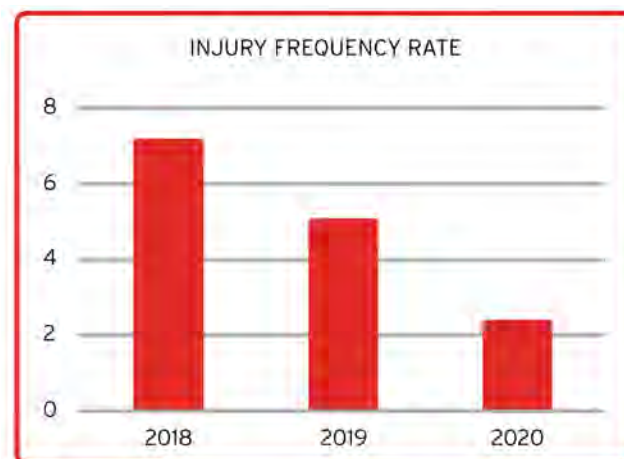
Our goal for protecting employee health and safety is to eliminate accidents and reduce health impacts from chemical exposure. During 2020 there were three safety incidents involving our factory employees, which represents a 55% reduction in injuries for every 200,000 hours worked compared to the previous year.*

We monitor product quality through the return rate for our products as a result of quality issues. In 2019 and 2020, we maintained an outgoing quality rating of approximately 99.7%.

*Injury Frequency Rate (IFR) is reported as injuries per every 200,000 manufacturing hours worked.

Performance

Our manufacturing processes require our employees to operate equipment and machinery and use organic solvents. To protect their health and safety, we strictly enforce adherence to ISO standards and our manufacturing arm (DKK) conducts semi-annual VOC monitoring at all facilities to ensure that levels are within government defined thresholds for clean air. We carry out periodic health checks for our employees, at no cost to themselves, to safeguard against any harm caused by physical or chemical hazards.



Ultrafabrics is Providing Customers With Long-lasting Products and Healthier Material Options

It has always been our priority at Ultrafabrics to provide beautiful, healthy products with superior performance. We offer lifetime warranties on some products and industry-standard 2-year guarantees on others, and we are committed to improving the longevity of our products. As part of our new sustainability strategy, we will be establishing clear metrics for measuring and increasing longevity while demonstrating durability.

"In 2015, Beverly Hospital in Los Angeles, California wanted to replace all seating in their more than 115 patient rooms with upholstered recliners. We required material that was durable, comfortable, had a soft hand and premium look. Additionally, we were making a concerted effort to transition away from PVC/vinyl to prevent off-gassing and support overall patient and employee wellbeing. We ultimately chose Ultrafabrics Brisa Original in multiple colors as it met these requirements and is still in use today! In fact, we have since reordered more recliners in Brisa material."

-Allison Witter, Principal, A Living Workspace



Product Quality, Health and Safety

Material Innovation

MATERIAL INNOVATION

MATERIAL CONSERVATION & RECOVERY

- 10. Eliminate manufacturing waste
- 11. Eliminate inventory / product waste
- 12. Divert 100% of manufacturing and inventory waste

CIRCULAR MATERIALS

- 13. Create our products from rapidly renewable materials, reducing our dependence on finite resources (circular inputs)
- 14. Replace virgin materials with recycled materials (circular inputs)
- 15. Create our products from materials that can be safely recycled and/or are biodegradable

ENERGY CONSERVATION & CLIMATE IMPACT

- 16. Reduce climate impact in line with a science-based target
- 17. Manage our energy use to maximize efficiency and clean sourcing

WATER CONSERVATION & RECOVERY

- 18. Reduce water demands in our manufacturing process while retaining product quality
- 19. Reclaim and reuse water where possible to reduce demand and wastewater

We are committed to the principles of the circular economy and focus our innovation on product design and manufacturing processes that contribute to a more circular system. This includes developing innovative new biomaterials that capture carbon dioxide from the atmosphere and actively reduce our carbon footprint. It also includes new processes and product specifications that reduce our need for water and eliminate waste.

Ultrafabrics is Reducing Its Impact on The Environment Through the Use of Renewable and Recycled Materials

According to the Circularity Gap Reporting Initiative, over 90% of global annual material use is derived from virgin (new) sources, dramatically exceeding the Earth's capacity to regenerate and resulting in massive loss of material value. What's more, this is expected to increase by almost 85% by 2050. Ultrafabrics has set targets and rolled out initiatives to reduce our reliance on virgin materials and shift towards more circular models.

Goal:

1. 50% of all new products will include biobased and/ or recycled materials by 2025
2. 100% of all new products will include biobased and/ or recycled materials by 2030, with existing collections evaluated along the way

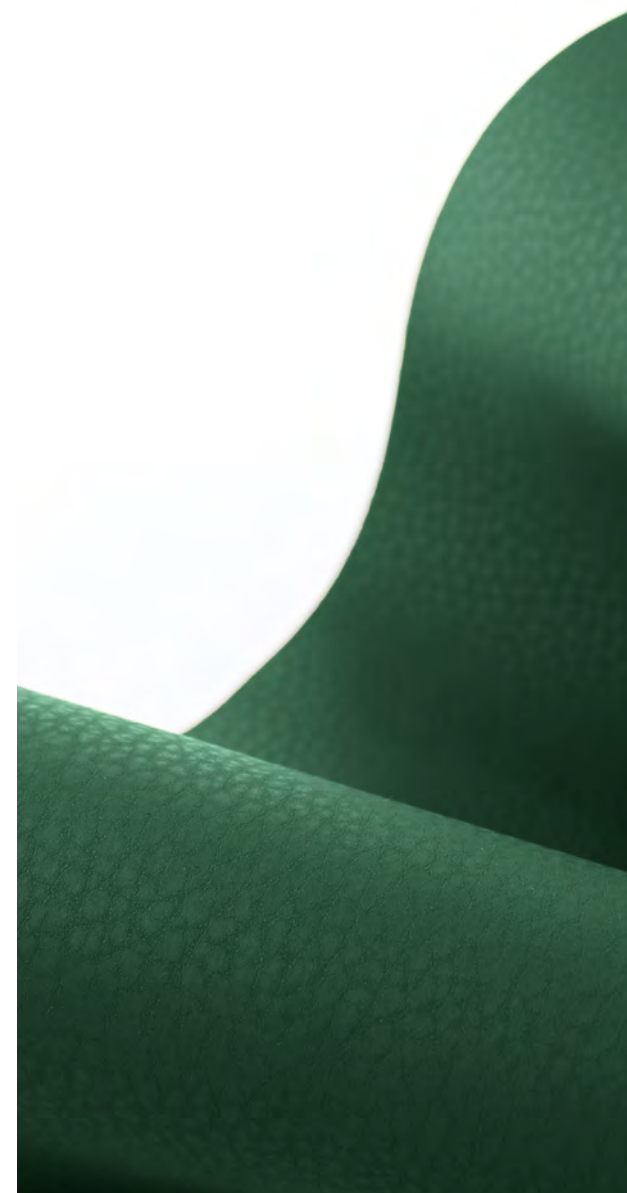
Volar Bio

In Q4 of 2019, Ultrafabrics launched Volar Bio, our first biobased collection. Volar Bio embodies our commitment to reducing dependency on finite resources, through a unique product construction made up of multiple layers of renewable plant-based materials. We use corn-based content to prepare polyols for polycarbonate polyurethane resin and incorporate wood pulp-based materials into the twill backcloth. In contrast with greenhouse gas (GHG) emissions produced by fossil-fuel-based ethanol, corn-based ethanol actively removes carbon dioxide from the atmosphere. In 2021, we plan to conduct a product assessment to determine the exact carbon impact of this product.

Volar Bio was created with both functionality and sustainability in mind and has a 29% BioPreferred program label. The BioPreferred program is managed by the US Department of Agriculture (USDA) and is designed to provide useful information to consumers about the biobased content of a product. In recognition of its stylish, cruelty-free design, Volar Bio received the 2020 PETA Vegan Homeware Award.

In January 2021, we launched an expanded color offering for Volar Bio and will continue our efforts to increase the traceability and transparency of our product.

Volar Bio marks a key milestone in Ultrafabrics' journey toward a sustainable future by pioneering innovative materials that conserve resources for the wellbeing of people and the planet.



Ultrafabrics is Helping Customers Meet Both Design and Sustainability Needs

Volar Bio

"Interwoven requires materials that are beautiful, durable and that will hold up to the stringent cleaning requirements of healthcare environments. Volar Bio addresses all of those needs and more with its unique construction. We are excited to add this to our offering as our first biobased option. The qualities align with our overall sustainability goals and the biophilic design inspiration enhances our thoughtful product portfolio."

- Mary Kay Perkins, Product Manager at Interwoven



Delivering the Best Product in Environmentally Responsible Packaging

Ultrafabrics has partnered with a leading, FSC® certified packaging company, which is at the forefront of both packaging innovation and social and ethical compliance. As a result of this partnership, we use no plastic packaging, and 100% of our packaging contains recycled content, ranging from 20-75% post-consumer waste. All packaging is Prop 65 compliant and uses soy-based inks to improve recyclability and biodegradability.



Ultrafabrics is Reducing and Reusing Water

The Ellen MacArthur Foundation reports that textile production uses around 93 billion m3 of water each year with 20% of industrial water pollution globally coming from fabric dyes and treatments. We recognize the importance of embedding responsible water stewardship practices throughout our operations, and preserving safe, sustainable water resources for communities and future economic prosperity.

Water plays an essential role in our manufacturing processes and our business has a responsibility to safeguard water resources and ensure that our use of water has no adverse impact on communities and the environment. All of our freshwater withdrawal for manufacturing takes place at our facilities in Japan, which according to the World Resource Institute's Water Risk Atlas is not currently considered to have at-risk watersheds. That said, as part of our broad commitments around water, we diligently monitor our freshwater use and are exploring opportunities to reduce water withdrawals per unit of production.

Through our new distillation process, we are able to recycle much of the treated water from the coagulation bath, reducing our total fresh water use by between 5% and 10%. This saves up to 3.2 million gallons of water, or roughly 5 Olympic size swimming pools of fresh water annually*

*Based on our 2019 total manufacturing water use.

In 2020, we focused on reducing our water requirement for the coagulation bath. This is an important, yet water-intensive, part of the production process, that gives our products an exceptionally soft and comfortable feel. In late 2020, we began to reuse part of the water used at the coagulation bath after removing chemicals using a new distillation process. As the first step in our ambition to reduce water demands, we are proud to have introduced new processes to reduce 5-10% of our water use in the first full year of our sustainability strategy implementation. The remaining wastewater is regularly sampled to ensure it meets government-defined standards for wastewater safety prior to municipal treatment. We continue to seek additional opportunities work towards a less water-intensive textile industry, while maintaining the qualities our customers value.

Our 2020 total water use from manufacturing decreased by approximately 15%. Despite operating at reduced manufacturing capacity due to the pandemic, the new distillation processes that we implemented in the final quarter of 2020 ensured that we operated at the same overall water intensity as 2019. As we ramp back up to full production capacity and give the distillation processes a full year to operate, we expect our water intensity to decrease significantly in 2021. Going forward, we will continue exploring options for products with reduced need for solvents, which have the potential to deliver further significant reductions in our footprint.

Ultrafabrics is Reducing and Diverting Waste

We have a long-term commitment to eliminate waste from our manufacturing processes and from unsold inventory or product returns. During 2020, we established baselines for manufacturing and inventory waste, implemented new inventory control measures, and continued our donation programs, all of which will help to reduce and, ultimately, eliminate our waste.

In 2020, we reduced our waste intensity by approximately 10%. This includes significant reductions across waste from manufacturing defects and scraps, product returns and discontinued inventory.

Ultrafabrics Mottainai Program: 'Waste Not, Want Not'

Inspired by the Japanese concept of finding the intrinsic value in unwanted materials, and consistent with our goal of diverting or eliminating 100% of manufacturing and inventory waste, we proudly donate and upcycle in various ways to provide a second life for Ultrafabrics products. In 2019, we donated just over 5,000 yards to a variety of organizations and while the pandemic forced us to scale back our programs in 2020, we were still able to donate 2,344 yards of fabrics.



Mottainai Stories

Among the organizations that we work with to donate and upcycle Ultrafabrics products are:

Inspired Coffee

Inspired Coffee is a premium coffee shop located in downtown Lake Geneva, Wisconsin. Its mission is to empower people with disabilities to live with greater purpose and achieve their individual best in a thriving environment through job training, coaching, and support.

Knotzland

Knotzland is a Pittsburgh-based organization that works with communities and small businesses to promote circular economy principles and sustainability. The team at Knotzland used donated Ultrafabrics material to create a limited selection of bowties, which then featured in a show called Origins at Pittsburgh's Concepts Art Gallery.

The Root Cellar

Based in Maine, The Root Cellar runs two sewing programs a week for women and teenage girls who have recently arrived in the United States as refugees and asylum seekers, providing a support network while teaching skills. Ultrafabrics has donated materials to the Root Cellar since 2018.



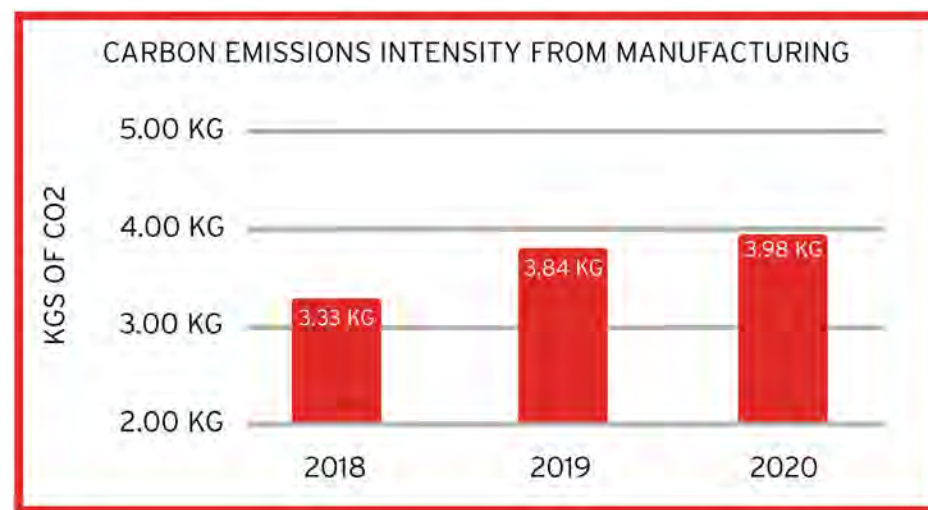
Inspired Coffee Interior with Ultrafabrics donated fabrics.

Carbon Emissions From Manufacturing

Performance

Our absolute carbon emissions from manufacturing decreased by 13% in 2020. However, the carbon intensity of our manufacturing increased by 3.7% during the year. This was due to operating at reduced manufacturing capacity during the pandemic, combined with our goal to reduce solvent residue, which requires slightly more energy per unit. We expect our carbon intensity to decrease once more in 2021, as capacity returns, and we implement energy reduction measures such as installing solar panels at our mill and warehouse.

*Carbon Intensity: carbon emissions produced per yard (36" x 54") of Ultrafabrics product manufactured.

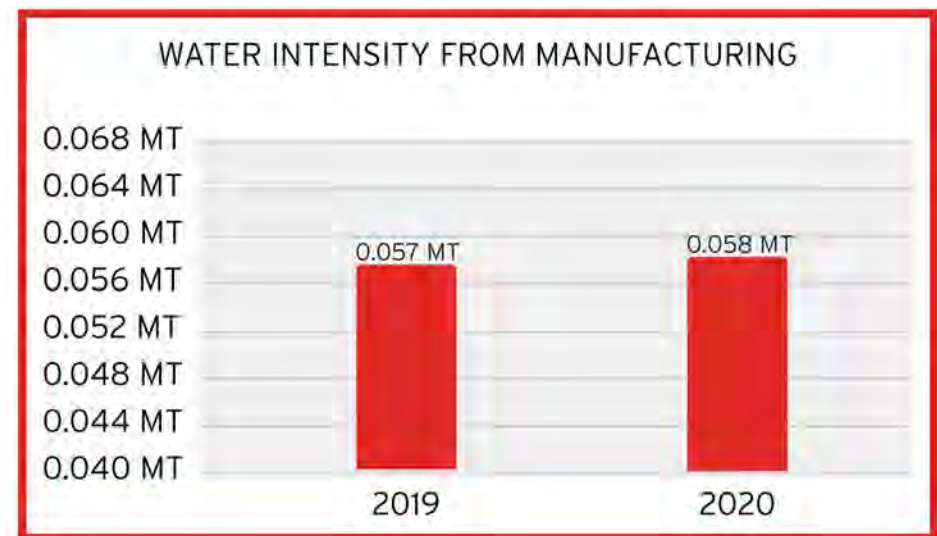


Water Intensity From Manufacturing

Performance

Our 2020 total water use from manufacturing decreased approximately 15% compared to 2019 while our water intensity* remained virtually the same. We expect our water intensity to improve in 2021, following a full year of partial water recycling during the coagulation process.

*Water Intensity: water used per yard (36" x 54") of Ultrafabrics product manufactured.



Waste Intensity

Performance

*Waste intensity: total yards of waste from manufacturing, returns and unsold inventory per yard (36" x 54") of Ultrafabrics product manufactured.



Ultrafabrics is Repurposing Manufacturing Waste

As part of our objective to divert 100% of our manufacturing waste, our Japanese manufacturing arm, DKK, partners with a community group called Parquet to give scrap materials a second life. This group provides safe spaces where people with disabilities and diseases can live better lives, including an afterschool day-care facility for families of children with special needs. DKK donates fabrics to Parquet Group and then buys tote bags that are made by Group members and distributes them as corporate gifts.



Transparency and Accountability

TRANSPARENCY & ACCOUNTABILITY

ENGAGED EMPLOYEES & COMMUNITIES

- 20. Promote an inclusive, collaborative work environment, where all employees can access opportunities for wellness and growth
- 21. Foster a culture of sustainability, engaging our local communities with volunteer support, charitable giving, and development opportunities

SUPPLY CHAIN

- 22. Promote awareness of human rights in the supply chain and assess suppliers for compliance with human rights standards
- 23. Trace our supply chain back to raw materials, verifying source, contents, and production conditions

GOVERNANCE & REPORTING

- 24. Transparent and consistent reporting of sustainability KPIs over time
- 25. Maintain and/or exceed compliance with all laws and regulations pertaining to sustainability objectives
- 26. Allocate appropriate resources and authority to achieve sustainability goals
- 27. Externally verify sustainability performance using third party assessments and reporting frameworks, and continually improve performance

Our approach to transparency and accountability rests on three pillars: engaging employees and communities in a culture of sustainability, promoting awareness of and respect for human rights in our supply chain and establishing a clear framework for governance and reporting on sustainability.

Our goal is to promote an inclusive, collaborative work environment, that promotes health and wellness for all employees and provides equal opportunities for them to develop and grow. During 2020, we adapted our employee wellness programs to our changing circumstances around COVID-19 by offering remote employee assistance resources and training opportunities.

Prior to the pandemic, Ultrafabrics was proud to offer an employee wellness program, including weekly yoga classes, a monthly healthy snack day and quarterly activities that included massages, aromatherapy, and local volunteering. We look forward to offering these again when employees are back in the office.

We also offer employees development opportunities through UF University. These free classes and programs are open to all employees and range from standard product and brand classes to more customized career development training.

Despite the pandemic, we also continued to pursue a range of community partnerships that align with our sustainability action areas. These include:

- **Water Conservation and Recovery:** Ultrafabrics donates a portion of our Reef Pro product line sales to Coral Reef Alliance, which works to preserve coral reefs; a vital part of the marine ecosystem.
- **Conservation and Air Quality:** Our partnership with Treedom has helped plant over 400 trees to sequester carbon and improve biodiversity.
- **Conservation and Circularity:** Our Mottainai program donates and upcycles usable material to ensure a second life for Ultrafabrics products. Full program descriptions are included in our Material Innovation section.

Our Progress on Supply Chain Transparency in 2020

We completed the draft of a supplier questionnaire, which includes sections covering environmental sustainability and human rights. We will use the questionnaire to start a process of measuring and tracking our suppliers' sustainability performance and developing a Supplier Code of Conduct.

Our Progress on Governance and Reporting in 2020

This is our first corporate sustainability report and enables Ultrafabrics to establish clear objectives and KPIs for measuring progress towards our Touch the Future vision of sustainability.

Fostering Cross-Cultural Collaboration

In 2019, we initiated a cross-company program to foster greater collaboration between our manufacturing arm in Japan (DKK) and our distribution arm in the US and London (Ultrafabrics, Inc.). Under a Global Human Resources Development approach, we now offer language classes for employees as well as short-term overseas training for junior management. While the pandemic has temporarily halted our overseas program, we look forward to restarting when it is safe to do so.



Ultrafabrics is Helping Customers Meet Both Design and Sustainability Needs

Tottori

"After a long period of searching for a high-quality leather alternative, we finally discovered Ultrafabrics and were so grateful to find a company whose values aligned with our own! We were instantly impressed by the company's transparency around their sustainability goals and particularly love that they are aiming for 50% of new products to contain recycled or biobased content by 2025. This is really exciting especially when the end product is also so aesthetically beautiful!

We use Tottori to construct our signature crossbody bags and the quality is second to none. Using Ultrafabrics fabrics supports our sustainability goal of 'Buy less wear more'. We also don't want to use animal products in our collections for ethical and environmental reasons, so using a high-quality leather alternative is very important."

- Hayley McSporran - Founder at Hayley McSporran Studio



Transparency and Accountability

Thank you

We thank you for following our journey and welcome questions and feedback on our report: sustainability@ultrafabricsinc.com





Touch the Future®