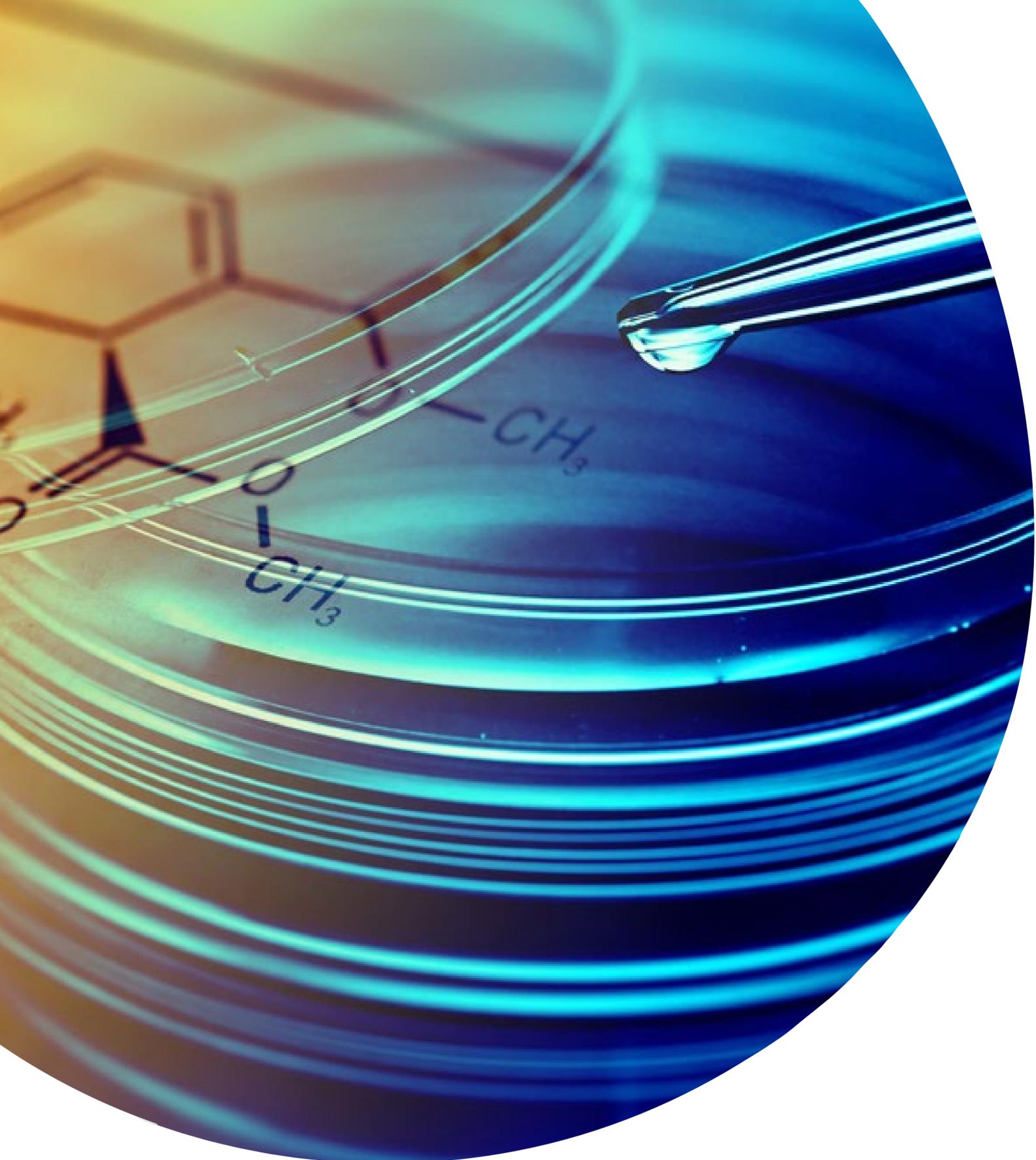




# A drop makes a difference

Corporate Social Responsibility  
Report 2020





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# Introduction

# Dear reader,

COVID-19 dominated 2020 and impacted everything and all, including our industry and our company. Despite the difficult trading conditions, we kept true to our mission and strategy to create a socially and environmentally sustainable leather value chain – in the broadest sense possible and spanning the dimensions of purpose, people, planet, and profit.

2020 has made it blatantly clear that a complete rethink of the leather value chain is needed to make it conducive with modern industry and one which produces goods and articles which appeal to today's consumer. Beyond creating full circularity in the chain, it is now a good moment to start questioning the business fundamentals of our industry as well: does the extent to which we move hides, intermediate, crust, and leather around the globe still make sense? Is the way cash flows and the margin are distributed an incentive for innovation? And isn't it time to adopt trading transparency using eCommerce and blockchain applications? These are all topics which we continued to work on, despite the COVID-19 crisis both inside and outside our own company. We continue our commitment to leather as also demonstrated by actively participating in LWG, ZDHC, and Leather Naturally / Metcha.

We want to thank our employees and business partners and their families for their support of the COVID-19 measures that governments and we as a company implemented. This professional support has been crucial in continuing to serve our customers.

2020 was also the year in which Smit & Zoon started the preparation for its bicentennial. A unique milestone for our company, our employees, and business partners which we will celebrate in a way to remember. During the past 200 years, we have demonstrated to be resilient to change, to learn from it, and always come out stronger.

Despite the hectic year, we have been able to maintain our focus on the future with the continuation of important projects: Implementation of ZDHC conformance level 3, alternatives for fossil oil-based products like the Biopol range, the new Optitan range, and in finishing, we introduced Aguastop.

*To create a socially  
and environmentally  
sustainable leather  
value chain*





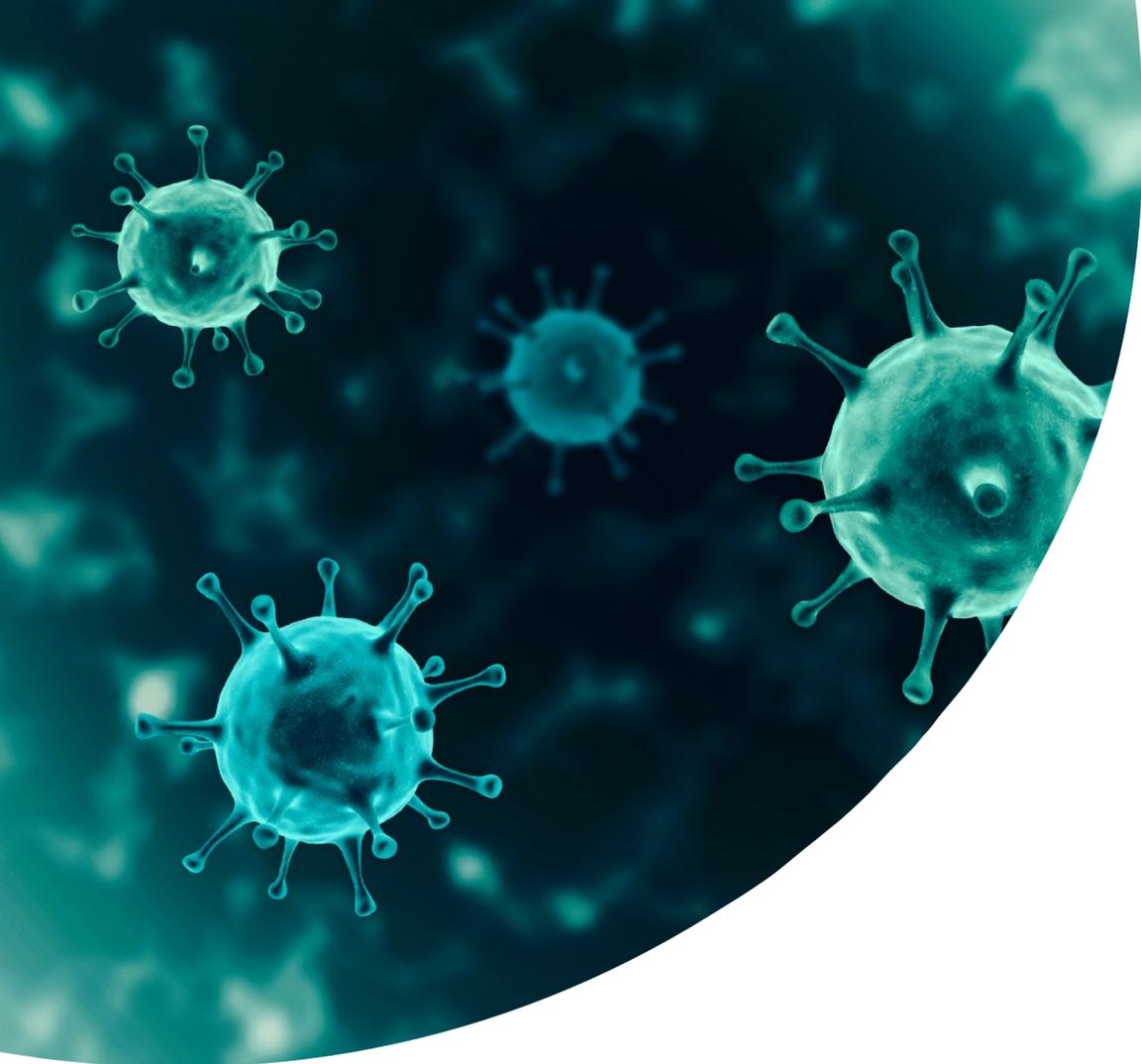
Nera and Zeology were introduced in October and are receiving very positive responses and acceptance from the market. Zeology is the new standard in tanning, a truly sustainable alternative to existing tanning agents. Zeology is chrome-free, heavy metal-free, and aldehyde-free.

We started 2021 with optimism for the future, also thanks to the encouragement from our achievements in 2020. We look forward to collaborating with the leather industry and trust that you will read our 2020 CSR Report with interest, once more proving that a Drop Makes a Difference. You are specifically invited to engage in a continuous dialogue with us on these and other topics.

Hans van Haarst, Marc Smit, Dennis Maas  
Board of Management, Smit & Zoon



# Our COVID-19 Impact



# Our COVID-19 impact

**At the writing of this article, COVID-19 still has a profound impact on the leather industry, our company, and especially the lives of our employees. We expect this to continue well into 2021 and we make our plans accordingly.**

## **OUR PEOPLE**

From the early beginning of the COVID-19 pandemic, we set up global and local crisis teams through which we implemented the individual countries' governmental guidelines including 'work from home if possible', thorough sanitation, social distancing, traveling restrictions, and restrictions for visitors. Due to this alertness, we have largely been able to keep our factories and leather service centers running to service our customers. Our modern IT system has proven its value by facilitating remote working and keeping in contact with each other and our business partners in an efficient way. The commercial and technical teams experienced a significant change in their daily work because of severe restrictions in visiting customers. Also, they have found new ways of interacting with customers and presenting leather collections and test results, using today's modern communication tools.

## **OUR CUSTOMERS**

Our customers, including their customers, the brands, have been hit hard. Orders throughout the supply chain have been cancelled, reduced, or delayed - all causing a severe impact on their and our business. As a result, we have experienced that cash flow in the chain slowed down, causing severe stress in the leather supply chain. We are proud to report that we have been able to strengthen our ties with most of our customers, by engaging with each other, understanding our joint challenges, and finding solutions.

## **OUR SUPPLIERS**

We are proud to state that our suppliers proved to be reliable partners, building on the long-term relations we have with them. As a result, we have been able to meet our customer demands all year round.

## **OUR BUSINESS RESULTS**

Like most in the leather value chain, our business results have been severely impacted in the second quarter, with a steady recovery from June onwards. Thanks to the financial support from governments in the countries where we operate, we have been able to prevent forced lay-offs and were able to stay on the course of our longer-term business strategy.

## **THE POST-COVID-19 PERIOD**

Life and business will never be the same after COVID-19. On a societal level, we will need to learn that we must implement a circular value chain and convert all the hides that become available as a by-product from the food industry into valuable products. This always needs to be done in compliance with laws and regulations, in a transparent way, and by allowing all participants in the chain to earn money and continuously invest in innovation and improvement. This is also true for us at Smit & Zoon. We will intensify our investments in innovations and in IT tools. This will facilitate a better balance between traveling and online contact and engage more intensively with our agents, distributors, our customers, brands, NGOs, and others to create a socially and environmentally sustainable leather value chain.



# Our CSR Landscape

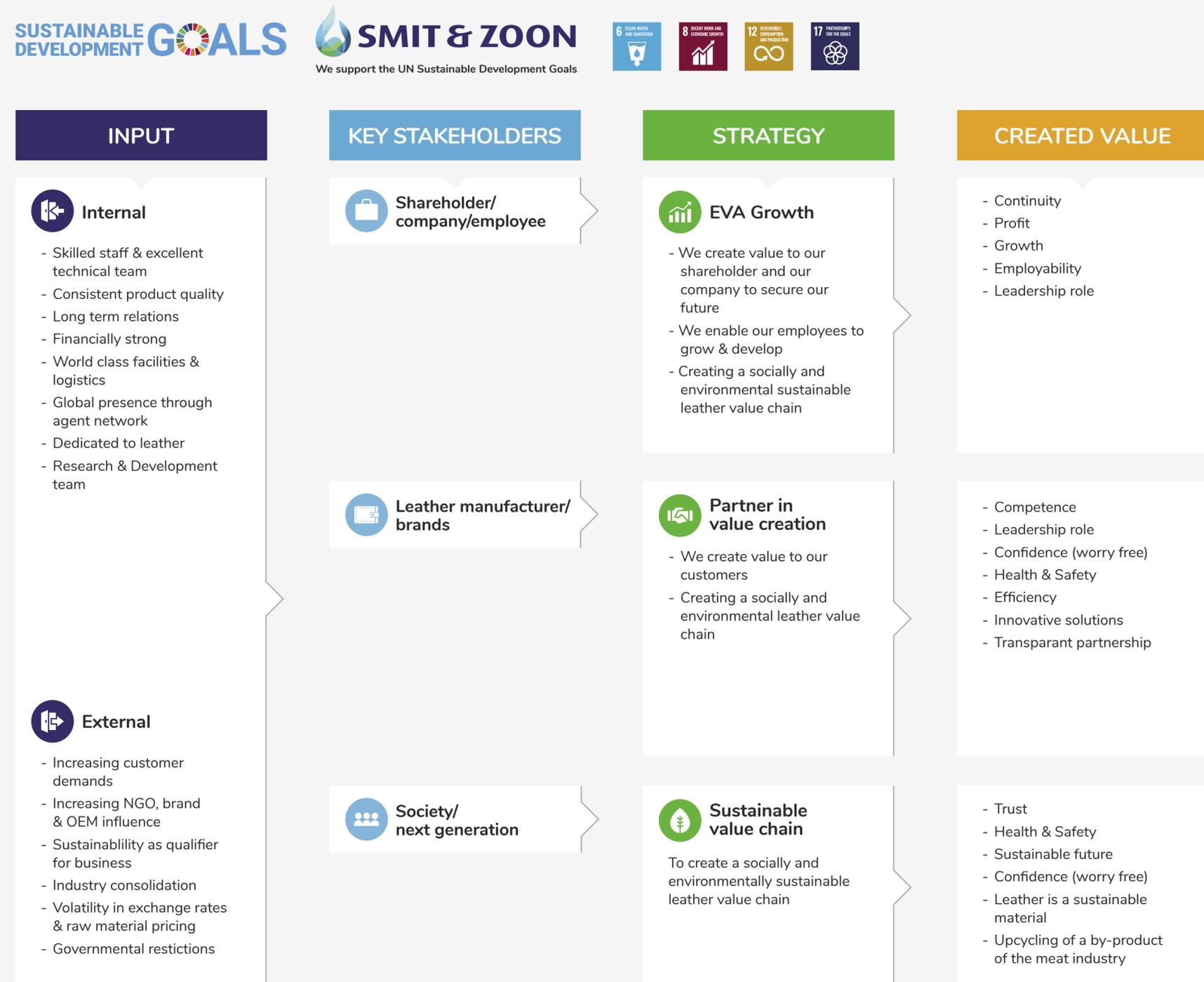
# Our CSR Landscape

## CREATING SUSTAINABLE LEATHER TOGETHER

All the elements that add up to our CSR report can be aggregated and condensed into this one motto: **Creating Sustainable Leather Together**. In everything we do, in our R&D, our production facilities, in our relations within and outside the industry, in our educational programs, and in the initiatives we support, we feel responsible for the future of leather.

We keep the [United Nations' 17 Sustainable Development Goals](#) (UN SDG's) and the universal declaration of human rights close to our business decisions, and we have voluntarily joined the standards and principles of societal institutes like the [International Labor Organization \(ILO\)](#), [ZDHC](#), [LWG](#), [LIA](#), [TEGEWA](#), [MVO Nederland](#), [Ecovadis](#) (Smit & Zoon is Silver rated), and ISO. We are respectful of international laws and regulations, specific client requirements, the ethical base code, the [Declaration on Fundamental Principles and Rights of Work](#) and use the [GRI Standards](#) as the reporting guideline whenever we can. We strongly believe this is the only way to create a business that is successful for the company and its shareholders, for the industry, for our employees, our customers, and for society. In fact, this is the way we want to express our Corporate Social Responsibility, which is described in our updated [CSR Policy](#) that has been released in 2020.

We have identified four [UN SDGs](#) as the heart of our company's strategy. Throughout this report, we will display the UN SDG symbols that connect to the specific topic.

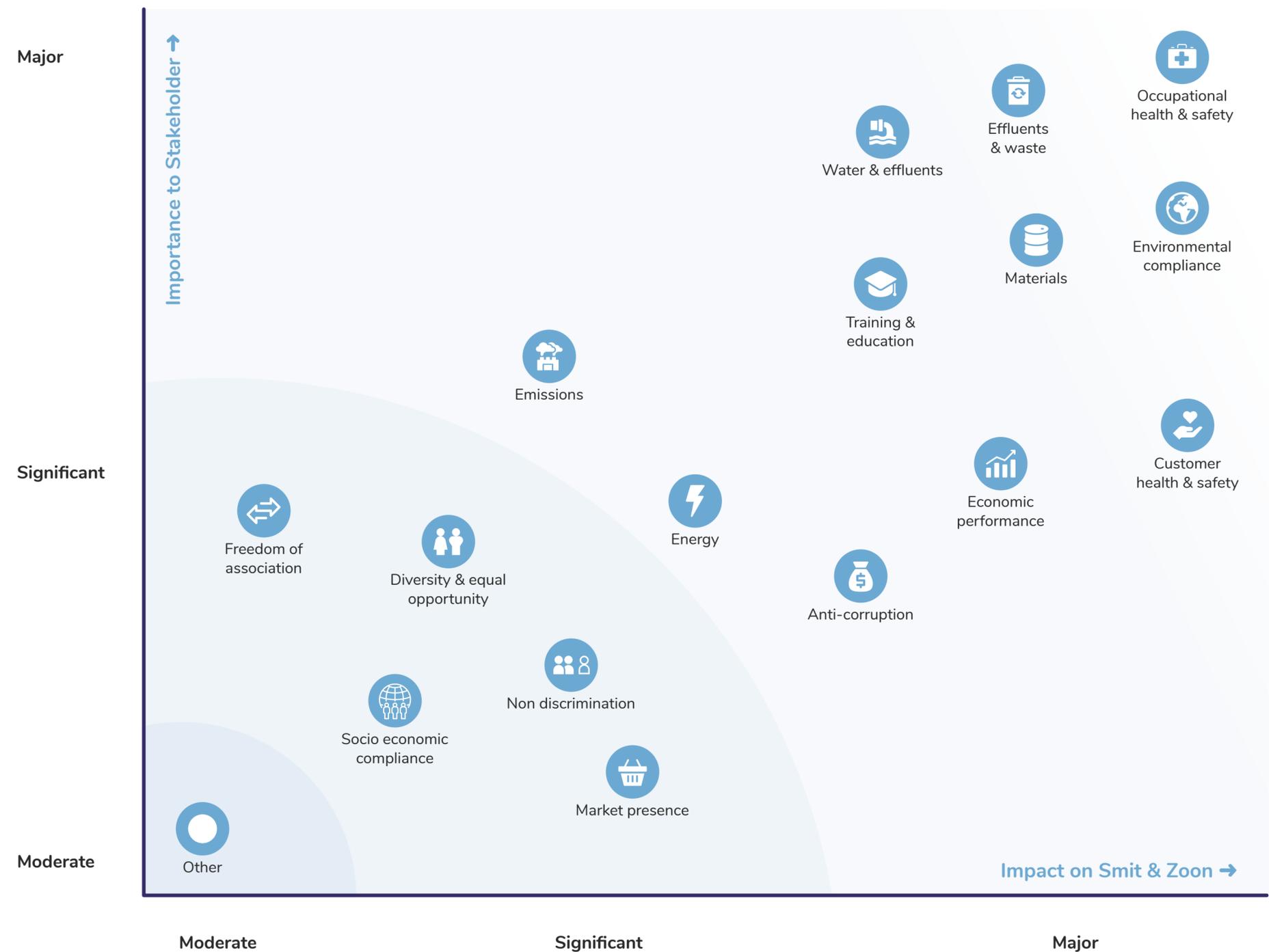


## Materiality Matrix

### THE MATERIALITY OF OUR OPERATION AND OUR STRATEGY

The identification of economic, environmental, and social impact takes place through continuous dialogue with key stakeholders in the leather supply chain, active participation in industry organizations, and cooperation in important value chain initiatives. Together, it is the fundament of our Materiality Matrix. The material topics are translated into operational and strategic initiatives via the regular management processes with an intense engagement from the Management Board and the Supervisory Board.

Making the leather value chain socially and environmentally sustainable is our company's main focus. In this report, we use the UN SDGs as the pillars for our challenges and progress. In the infographic on this page, the impact a topic has on us (horizontal axis) and the concerns our stakeholders have about it (vertical axis) are shown. The topics at the top right are particularly important, both to us and to our stakeholders. Throughout this report, we will display the symbols of the relevant materiality topics.



# Our Strategy

# Our Strategy

## Our Purpose and Mission

### CREATING A SOCIALLY AND ENVIRONMENTALLY SUSTAINABLE LEATHER VALUE CHAIN

Our mission is to create value for customers, shareholders, employees, and society by developing product and process innovations and raising awareness of the need for sustainable solutions in the entire leather value chain. We aim to cooperate with all the stakeholders, from research centers to competitors and beyond in the leather value chain and share knowledge and innovations in order to get more sustainable solutions for manufacturing leather. By working together towards the same goal, we aim to improve the leather industry as a whole and to keep Smit & Zoon relevant and on top of the market.

For our customers, this means they can always rely on our safe, efficient, and sustainable solutions. Our shareholders are given continuity, profit, and further growth, leading to a strong sense of pride in our achievements. Employees of Smit & Zoon are always part of our family; through our employability programs, they remain competent, involved, and engaged. Our mission helps society as a whole by not only offering leather as a sustainable source for all kinds of products but also by taking care of our planet and of the next generations of people that will be living here.

## Our Philosophy

### TOWARDS THE FUTURE OF LEATHER

As a 7th generation family business, thinking about the next generation is always on our minds. That is why we offer our customers sustainable solutions that meet the latest quality and safety standards. In our own research and application labs, our highly qualified chemists and leather technicians continuously search for quality improvements and environmentally more friendly innovations that support the sustainability of our customers' businesses. We believe that their future is our future.



*A drop  
makes a difference*



## Our 2025 Strategy

### **INNOVATION AND FAMILY VALUES AS THE GUIDING PRINCIPLES IN OUR THOUGHT-DRIVEN LEADERSHIP**

The heart of our strategy is creating sustainable leather together, keeping in mind the continuity of our family-owned company, building on its rich history since 1821. This context of 'taking care of the next generation' is not only relevant in the family setting, but it is also something that affects our customers, industry partners, and other stakeholders.

The fundament of our business strategy for the years to come lies in our purpose and mission. We will continue to play a catalyzing role in making the leather value chain sustainable. To keep fulfilling our role as a catalyst, we work with many stakeholders in the sector and act as transparently as possible, with respect for our Guiding Principles - a set of statements that expresses our shared ideals and values. Each of our business areas, segments, regions, and brands has its specific role, but all together they can contribute to an industry that will remain relevant, thanks to Smit & Zoon's guiding principles. In 2025, as well as right now.



# Reducing the Footprint

# Reducing the Footprint

## TOWARDS CIRCULARITY

Hides and skins are a by-product of the food industry, making leather a sustainable material by definition - if manufactured under sustainable conditions. Leather manufacturers use various chemicals in their production process that partly end up in the wastewater. Our [Product Passport](#) is supporting manufacturers in choosing the right chemicals to minimize the footprint, while our innovations help them in making steps towards a circular economy. Smit & Zoon is already using Life Cycle Analysis (LCA) to understand the impact of innovations and the value of bio-based technology and products, as well as the biodegradability of products, leather, their relations, and how to influence those for a more circular leather value chain.

## Milestones 2020

### ZEOLGY, THE SUSTAINABLE TANNING CONCEPT

**Objective: Creating a sustainable tanning concept and superior leather performance**

On October 5th, 2020, [Nera](#), a Smit & Zoon company, launched its sustainable tanning concept Zeology. Zeology is a truly sustainable alternative to existing tanning agents. It is zeolite-based and therefore chrome-free, heavy metal-free, and aldehyde-free.

Zeology was developed to provide a sustainable alternative to existing tanning agents. Introducing Zeology is another step towards a more sustainable leather value chain.

What makes [Zeology](#) unique, compared to both traditional tanning agents and other existing sustainable alternatives, is that it delivers both sustainability benefits and superior leather performance. Zeo White, the Zeology-tanned leather intermediate, is unsurpassed in characteristics such as grain

tightness, physical leather properties, lightfastness, and heat-resistance. In addition, its bright white color enables white leather, as well as lighter and brighter colors than were ever possible before.

At the time of writing Zeology has been adopted by a wide number of [tanneries](#) and brands. With this, Zeology is already driving a significant impact in making the leather value chain more sustainable.

## PROVIDING BIO-BASED SOLUTIONS

**Objective: Valorisation of bio-based side streams**

Through bio-based solutions, Smit & Zoon aims to implement a substantial component of the concept of the circular economy around leather chemicals and to support leather manufacturers in reducing their footprint. The current focus is on replacing petroleum-based ingredients with bio-based alternatives. These alternatives should deliver on-par or even better results and



*Our innovations are a step towards a sustainable leather value chain*

help make the leather chemical sector more sustainable, reducing CO<sub>2</sub> emissions from production and reducing non-degradable and toxic substances.





## LIFE BIOPOL

### Objective: Synthesis of a new class of products

A key project completed by Codyeco, a Smit & Zoon company, is the EU funded LIFE Biopol project which led to a new generation of products. The project involved five partners: Codyeco, responsible for project coordination, the leather manufacturers Dercosa and Inpelsa, the University Ca' Foscari of Venice, and Ilsa, a company that has specialized in plant nutrition.

LIFE Biopol's main target was the synthesis of a new class of products, named biopolymers, which represent innovative and eco-friendly alternatives to traditional petrochemical products used in the leather production process. These biopolymers are produced using industrial low or no value side streams as raw materials, in order to enhance the circularity across different industrial sectors. These products appeared on the market in 2020 ([Biopol range](#)) supporting leather manufacturers to create leathers with a high degree of renewable ingredients.

## LIGNIN MODIFIED RE-TANNING AGENTS

### Objective: Improving the biodegradability

Since 2019 Smit & Zoon has a patent-pending novel process to use lignins to modify re-tanning agents. The aim is to increase the renewable content and improve the biodegradability of phenolic syntans through (partial) replacement of phenol with industrial lignins by modifications of traditional phenolic syntan chemistry.

The first prototypes with this sustainable technology, made in 2020, achieved to be free from phenol and formaldehyde, increased renewability, improved biodegradability, and yielded good leather properties in comparison to traditional fossil-based phenolic syntans. The launch is expected in 2021.

## BIOPOLYMERS BASED ON SUGAR BEET PECTINS

### Objective: Creating bio-based ingredients

Working with Wageningen Food & Biobased Research, and with Royal Cosun, a processor of beet pulp, Smit & Zoon has found that pectins from sugar beet pulp are suitable as bio-based ingredients in the production of leather. These pectins serve as substitutes for non-biodegradable polymers in chemicals for the wet-end production process. They can also influence the characteristics of finished leather, for example, its color intensity. As a direct result of our own research, Smit & Zoon has a patent application on the usage of pectin for leather processing in general.

## OPTITAN

### Objective: Minimizing the environmental impact, while optimizing leather performance

In 2020, the [Optitan](#) range was introduced. Optitan is a premium range of (re-)tanning products with the highest achievable active matter contents with no diluents. Optitan has minimized free formaldehyde and phenol contents in the product due to upgraded chemistry.

## PFC-FREE WATER REPELLENT LEATHER COATING

### Objective: Eliminating hazardous substances from our product range

In line with our program to eliminate hazardous substances from our product range, we developed and introduced [Aguastop W200](#), the new generation for water repellent finishing products. An interaction between material science technology and special functionalized polysiloxanes allowed us to engineer a completely PFC-free product. This improved, water-based product gives anti-soiling and protection against water in a more sustainable way.

## RESTRICTED SUBSTANCES

### Objective: All products to comply with (M)RSL

Since 2016, Smit & Zoon has its own Restricted Substances List (RSL). This is a list of substances not present in any of our products. A steering group reviews and updates the Smit & Zoon RSL annually, taking into account the following sources and criteria: Candidate List of Substances of Very High Concern (ECHA); Authorization List (Appendix XIV of REACH); List of Restrictions (Appendix XVIII of REACH); Manufacturing Restricted Substances List (MRSL of ZDHC).

The Smit & Zoon RSL remained unchanged, apart from changes in the official EU lists, which were, of course, included.

Additionally, we are proactively eliminating unwanted substances that are not (yet) on the list of restricted substances. Substances to be eliminated are selected based on their hazard and on information from the market.





## OPERATIONAL EFFICIENCIES

### Objective: No negative impact from Smit & Zoon production processes

In 2020 we finalized a 3-year project on “aging”. Like many chemical companies in The Netherlands, we have parts in our plants in Weesp and Amersfoort that are relatively old. The Dutch safety authorities require chemical companies to have a clear approach to controlling risks that are related to aging equipment and installations. We have made an extensive assessment of the safety, environment, and business continuity for all storage and process units. Based on this, we have set up multi-year plans for the upgrading of the maintenance programs and the replacements. The execution of the plans started in 2020. With this approach, we are confident that we can keep guaranteeing safe, compliant, and reliable operations in the interest of all stakeholders. A few examples are described below.

Because of the Corona situation, we have seen a few months with lower activity levels in our operations. We took the opportunity to turn a negative situation into added value as much as possible, making good use of the available time for improvements. We have enhanced training programs, and action plans to improve QESH-performance. We have replaced an old reactor, that would have to be replaced within a few years (according to the aging program), but which would have been very complicated to do during normal capacity load.

In the Amersfoort plant, we have replaced old TL lighting systems (aging program) in production and warehouses with highly efficient LED lighting, which will reduce electricity consumption and have a much longer service life.

We have made further progress in optimizing the process conditions of our spray driers supported by theoretical modelling by the NIZO institute. This results in higher energy efficiency and improved powder properties.

Projects were started to finalize that all global production plants are certified for ISO 9001 (quality management), 14001 (environmental management), and 45001 (safety management) in 2021.

## PRODUCT PASSPORT

### Objective: Reducing waste in the leather value chain

In 2020, we continued to inform customers about the use of the [Product Passport](#). Even though every leather manufacturer represents a unique production process, the Product Passport continues to get positive feedback in optimizing the Wet-End production for the whole industry. Providing these detailed data to a leather manufacturer is crucial in making the right decisions around the most sustainable production, reducing waste while using most suitable chemical products.

## FUTURE OUTLOOK

### Objective: Adding new ways to reduce our footprint

In 2021, Smit & Zoon will strengthen its Research & Development focus towards the next steps in creating a circular leather industry. Next to this, several innovations are expected to be launched on the market, while internally the focus will remain to further fine-tune our production and realize operational efficiencies reducing our footprint. We intend to intensify the ability to provide our customers with detailed information on the renewability of their leather production recipes.



# Health & Safety

# Our Health & Safety Focus

Every leather product, be it a shoe, a bag, or a car seat, is man-made. It takes many experienced workers to create the perfect leather product: from operators in a chemical plant to leather manufacturers and craftsmen in a shoe factory. As every one of these people fulfils such an important role, we want them to work in healthy and safe conditions and be treated with respect. The safe use of chemicals is an important aspect of that.

## Milestones 2020

### NEW LEATHER APPLICATION CENTERS IN INDIA & BANGLADESH

**Objective: Being close to our customers to provide tailor-made services in an inspirational environment demonstrating safe use of chemicals.**

In Kanpur, India, we launched a new Leather Application Center, while we started the preparations for a new one in Ranipet, India, as well. In Bangladesh, we supported our agent in designing, installing, and inaugurating a modern Leather Service Center acting as an inspirational and showcase center for the Bangladesh leather industry. These application centers are designed to provide fashionable, simple, effective, and sustainable solutions to customers in these leather manufacturing clusters.

### IMPROVING HEALTH AND SAFETY AT OUR OWN PREMISES

**Objective: No cases of occupational illnesses, accidents, or injuries within the company**

Safety and prevention of occupational illness are of extreme importance. Our SHE officers are supporting all team members in safe working procedures by offering toolbox meetings and training on specific topics. Unfortunately, we had to report that we had one Lost Workday Case (LWD) in our group in December 2020. In our Castelfranco (IT) site, an operator was hit in the eye by a spill of pigment paste. Standard safety goggles were worn but didn't give enough protection in this case. There was no lasting health damage. When writing this, investigations were still going on to find measures to prevent the spill and the injury from reoccurring.





## SAFE USE OF CHEMICALS

**Objective: Minimal adverse impact of our product on Health and Safety anywhere in the supply chain**

We have continued our focus on educating the safe use of chemicals. We have done so by implementing updated safety instructions to our traveling team, by engaging with our agent network with workshops and on-site inspections, and by training students at leather institutes. Another important 3-year initiative where Smit & Zoon was one of the initiators, Promoting Safe Use of Chemicals in Bangladesh, is running in collaboration with TEGEWA, Solidaridad and partly funded by the German Federal Ministry for Cooperation and Development. In this project, 1.500 people in the Bangladesh leather industry will be trained to be able to work safely with chemicals. In 2020, the foundation for this has been laid with the development of practical training manuals for small groups in on-site training. The first of those have been performed.

## FUTURE OUTLOOK

**Objective: Improving the awareness of health and safety**

In 2021, Smit & Zoon expects to run further auditing pilots at selected agents that will also focus on improving the awareness of safe handling of chemicals. These auditing pilots must lead to a Partner Audit program in which agents and distributors will be supported in further development in line with Smit & Zoon's mission. It is also expected that the Promoting Safe Use of Chemicals Project in Bangladesh will result in many practical training initiatives leading to a better awareness of safety and reduction in incidents relating to chemicals.

We will address a series of Materiality Matrix topics, including Occupational Health & Safety, Effluents & Waste, Water & Effluents, Training & Education, Materials, Environmental Compliance, Customer Health & Safety, Emissions.



# Partnerships



# Catalyzing

The leather industry is big, and we cannot change it on our own. However, with our long-term vision and thought leadership in mind, our continuous desire for innovation, and our strong family values, we believe that one of our main roles should be that of a catalyst for the desired change.

## Milestones 2020

### BUSINESS PARTNER CODE OF CONDUCT

**Objective:** CSR is in the mindset of all Smit & Zoon partners

The Smit & Zoon Business Partner Code of Conduct (BPCoC) has been shared and signed by all agents and distributors on the sales side. On the purchasing side, it has been signed by our key suppliers.

Some of our suppliers have not signed our BPCoC but instead shared their own Code of Conduct. In these cases, they have been studied and approved if they are in line with our BPCoC. Smit & Zoon keeps aiming to have a partner network that shares the same long-term vision, values, and commitment towards the leather industry. In 2020, we also intensified the focus on agent/distributor performance via pilot audits executed in Bangladesh and Pakistan and prepared this to be set up with a wider group in 2021 (delayed due to COVID-19) as part of the Authorized Partner Program. These Partner Audits must ensure that our agents and distributors work according to the industry's and Smit & Zoon's standards.

### LEATHER WORKING GROUP - CHEMICAL MANAGEMENT MODULE (LWG CMM)



**Objective:** Setting standards to improve the safe use of chemicals

Smit & Zoon is an active member of the [Leather Working Group](#) (LWG) In 2020, the LWG continued with voluntary audits at leather manufacturers to check their chemical management. The Chemical Management Module was developed with support from Smit & Zoon, ensuring the availability of tools to work safely with chemicals and lower the footprint on the environment. It is expected that the LWG CMM will be implemented in the new protocol P7, in 2021. In 2020, Smit & Zoon organized several informational sessions with its agent network to ensure they are prepared and in compliance with the new protocol.



## LWG TANNERY OF THE FUTURE – ARE YOU READY FOR AN AUDIT

**Objective: Accelerate Corporate Social Responsibility within the leather supply chain**

Smit & Zoon was one of the founding partners of the [sustainability checklist](#) developed for leather manufacturers, buyers, and brands that merged with the Leather Working Group in 2019. In 2020, the tool was further fine-tuned including a new release (downloadable PDF) with an online tool under preparation. Tanneries that want to improve their sustainability focus will be able to use the LWG Tannery of the Future – Are You Ready for an Audit tool to measure their progress and get temporary free access to LWG meetings and materials. Smit & Zoon is co-chairing this LWG subgroup that also consists of stakeholders from major fashion brands.

## ZERO DISCHARGE OF HAZARDOUS CHEMICALS (ZDHC)



**Objective: Achieve the highest level in ZDHC Goals**

Smit & Zoon is an active contributor to [ZDHC](#) since early 2018. In 2019, our factories in the Netherlands have been audited by ChemMap and obtained ZDHC Conformance level 3, the highest level possible. In 2020, we added our factory in China to the list. Due to the COVID-19 restrictions, the certifications for our factories in India and Italy will be realized 1st half of 2021.

## LEATHER IMPACT ACCELERATOR

**Objective: Help develop a responsible leather assessment tool**

Smit & Zoon signed the Charter of the [Leather Impact Accelerator](#) in 2018 already. The Leather Impact Accelerator (LIA) uses benchmarks to address animal welfare and deforestation/conversion-free at the farm level, the social and environmental impacts of leather processing, and expectations for traceability. Brands can use LIA to support best practices in the leather value chain and make credible claims about their actions.

We supported this initiative by sharing our know-how and network through participating in various conference calls. In 2021, we intend to further collaborate in shaping the RLA tool.

## LEATHER NATURALLY

**Objective: Inspire the public about leather through education and promotion**



[Leather Naturally](#) is the initiative that promotes the use of globally manufactured sustainable leather and seeks to inspire and inform designers, creators, and consumers about its beauty, quality, and versatility. In 2020, a brand new website was launched and several educational talks were organized or participated in. The global promotional campaign [METCHA](#) that is run by Leather Naturally was successful in reaching the KPIs (total audience of 2.5 million people, making the leather word and image seen 550 million times across the most relevant social media). It is up to the industry to step up and co-fund this successful campaign for the future. Smit & Zoon supports this initiative through membership, financial donations to the METCHA campaign, and by providing time for our Global Director Sustainability to chair the association. In 2021, we will continue our efforts to educate the public about the beauty and sustainability of leather. We kindly invite all our partners to join Leather Naturally in membership.

## FUTURE OUTLOOK

Smit & Zoon will continue to actively support the leading industry initiatives with our know-how, promoting it to our stakeholders and offering financial support. This will include our efforts within the Leather Working Group, ZDHC, Leather Naturally, and the Leather Impact Accelerator, because we are convinced that these have a positive and catalyzing impact on making the leather value chain largely sustainable. Also, we will further enhance the impact of our Business Partner Code of Conduct, using it in our performance discussions with agents for whom we will run further audit pilots in 2021 while we will also intensify the focus on product-related suppliers. Furthermore, we will continue to prepare our full agent network to work in compliance with the new LWG and ZDHC requirements.



# Our People



# Our People

## Our people are our most valuable assets

We want our employees to be safe, healthy, skilled, and engaged in their work, now and in the future. Enabling our employees to develop and grow is an important aspect of that. We will keep our focus on preventing occupational illness by facilitating a healthy lifestyle by offering initiatives like free fruit and a low-cost gym membership. Our active staff associations organizes a wide range of social activities in which our employees can socialize with other colleagues.

## Milestones in 2020

### GUIDING PRINCIPLES

**Objective: Smit & Zoon Guiding Principles support in obtaining company mission**

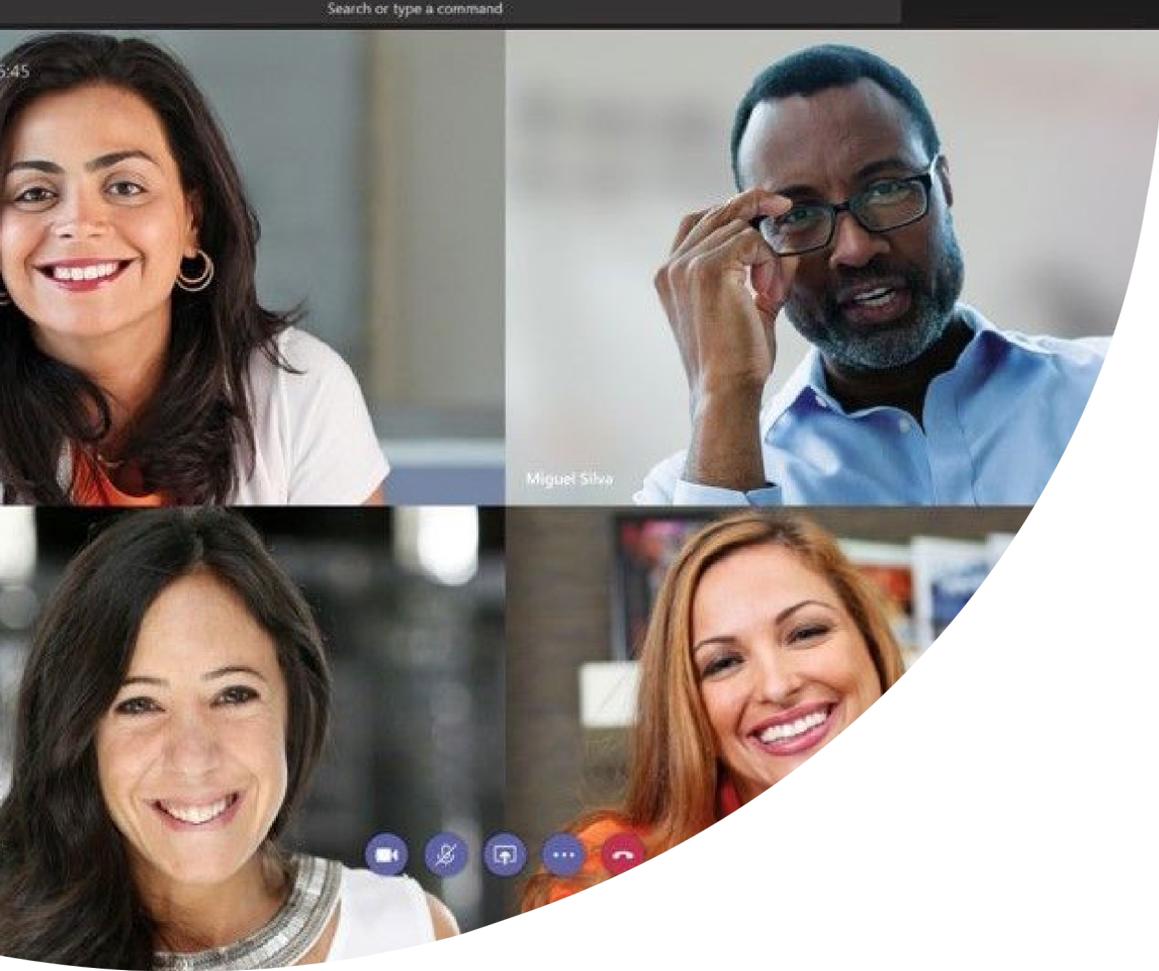
We want to have a company culture with clear guidelines on how to join and contribute to our mission: “to create a socially and environmentally sustainable leather value chain”. Our Guiding Principles help us to make decisions and guide us in our daily behavior and are important to ensure the long-term protection of our culture. We emphasize the importance, to ensure that short-term decisions do not have a long-term negative impact. In January 2020, we developed the Five Guiding Principles together with our global employees via an online survey, with the aim of getting everyone aligned on our mission.

These five Guiding Principles are:

-  We care for our customers, for each other and for the world
-  We are driven team players
-  We value and are united by diversity
-  We are committed to make a difference
-  We are passionate experts

*We are driven  
team players*





Everyone within our organization can contribute, in their unique way, to our mission and act as a brand ambassador. A global Smit & Zoon 'Drop Team' was set up with eleven team members from different parts of the world. These eleven colleagues are the appointed ambassadors for Smit & Zoon worldwide and the ones that boost the mission of Smit & Zoon: "Creating a socially and environmentally sustainable leather value chain". Each of them plays an important role for colleagues in their specific regions. They act as advanced posts, counselors, the 'think tank', the link between headquarters and the offices worldwide to create more understanding and commitment to the mission we share. They individually produced a video with their personal messages and are sharing their focus on the Guiding Principles. To make a connection with colleagues over the world and to learn from each other, kick-off sessions have been organized in 2020. After this, the 'Drop Team' members will keep the guiding principles alive within their country or region.

We focus on implementing the guiding principles all over the world in our employees' 'DNA' That is why it is important to embed the guiding principles in HR instruments, which will be the focus for 2021.

### SUSTAINABLE EMPLOYABILITY

**Objective: Ensure that employees can work in a productive, motivated, and healthy way**

In 2020, with input from the Dutch team members, a working group called 'Work and Life in Balance' was initiated within the Dutch entity. It contained people from different teams acting as ambassadors to focus on identifying practical problems on the work floor. The goal was to make work more comfortable, reduce physical and mental stress, structurally lower absenteeism, and reach higher productivity with higher employee satisfaction. A list with potential improvements supporting sustainable employability was defined and partly implemented, with the remaining part scheduled to be implemented in 2021. Due to shifting priorities, we delayed an intensified focus on talent management and succession planning to 2021.

### EDUCATIONAL PARTNERSHIPS

**Objective: Expose the leather industry as an interesting employer and ensure continuity**

In 2020, we intensified our focus on hiring interns and offering new job opportunities in especially those areas where specific leather related skills are required. In total, we have given six people the opportunity to explore the industry and our company and guided them in their personal development. With an aging workforce, it will become increasingly important to train new team members to support us in our future ambitions. We experience that our focus on sustainability is an added value in people choosing Smit & Zoon as a potential employer. Due to COVID-19, the number of internships was less than we would have liked to see.

### FUTURE OUTLOOK

In 2021, the focus will be on further implementation of the Guiding Principles, sustainable employability, partnerships with educational institutions, succession planning, and improving the employee experience with a focus on the development of people.



# The Koornzaayer Foundation



# The Koornzaayer Foundation

It is our aim to work towards a society where all people are able to live a dignified life with equal access to education and healthcare and to take control of their own future. With this mission in mind, Joost Smit, 6th generation owner of Smit & Zoon, set up the Koornzaayer Foundation in 1969. The foundation - named after the ship our founder Albert Smit was the captain of in 1821 - supports local initiatives on education and health care projects in Kenya and Uganda.

In the 50 years of its existence, the Koornzaayer Foundation has ignited, and supported dozens of local initiatives related to these two crucial themes:

- Education to give children an opportunity to make changes in their own country that will also benefit the next generation.
- Health care to be able to learn and go to school.

## Kenya

In Kenya, this was done in collaboration with Victoria Friendly Foundations, a group of local villagers on Rusinga Island, off the Kenyan Lake Victoria coast. We teamed up in 2014 and are still working together on projects to meet the basic needs of orphaned and needy children on the island. In addition to providing schools and lessons, we also set up a program in which all parents and caretakers who attended the training courses (around subjects like agricultural techniques and food security) were given water storage tanks for their homes.

To further improve the effectiveness of this, VOX impulse and Koornzaayer Foundation researched the options of getting water connections on the island. We expect the results of this investigation to be visible in 2021. The goal is to provide the whole 35,000-people population with access to healthy water for their own hygiene but also for irrigation. This way, we can improve food security, diversification of income sources, and, not unimportantly, we also hope to combat erosion on the island.

All these initiatives and plans perfectly fit within our achievements to date. Central to this: an integrated early childhood development education package that has been successfully integrated into the community. The school building not only offers proper education, but also includes a feeding program, health activities, and, indirectly, food security and economic development.

The integrated community development program is a six-year program that is the joint initiative of the Victoria Friendly Montessori, De Koornzaayer Foundation, FEMI, Talud, the Catz Charity Foundation, and the Peter van Vliet Foundation.

## Uganda

In Uganda, Koornzaayer Foundation is working with local partner Link To Progress to provide all communities around Lira with clean drinking water. The focus is also on the total hygiene of the village and the maintenance of the pumps. For this purpose, Link To Progress uses a system in which the money that is collected from the community can be borrowed by a member of the group to set up a business or an activity. For example, a woman bought 2 pregnant goats and a bag of flour with this money. She baked bread for the community, which helped her pay back the loan. She sold the baby-goats and kept the old ones to breed with.

Koornzaayer Foundation is also working to help Link To Progress set up its own fundraising department. This offers them a way out of their dependency on foreign donors.



# Facts & Figures

# Facts & Figures

The below KPI's are used in Smit & Zoon to determine the progress to the long-term goals.

It needs to be considered that KPI data can show deviating results due to the acquisitions during the recent years.<sup>1</sup> We use our own developed protocol and monitoring instrument to collect data for this report. This instrument ensures that data from our different locations can be compared and the Board, Global Leadership Team (GLT) and Managers can easily be updated on the status of CSR related projects. In 2020 we managed to adjust this tool in such a way that the 2020 data include all our entities.

Because of COVID-19, our total production volume was significantly lower than 2018 and 2019. Several ratios that are expressed 'per ton' have automatically increased because of this. In the relevant tables this has been highlighted with an '\*'.

## Health and Safety

Safety & Health	2018	2019	2020	Target 2021
IR (Injury Rate) <sup>2</sup>	0,52	0,34	0,28	-25%
LWD (Lost Work Days) <sup>3</sup>	0,00	0,34	1,42	0
AR (Absentee Rate) <sup>4</sup>	5,80	4,30	3,15	3,5

1 In 2018, the data of the Italian production sites where not included due to post-acquisition integration activities, the 2019 and 2020 data sets include all production sites.

2 Number of injuries per 200.000 worked hours.

3 Number of Lost Work Days per 200.000 worked hours.

4 Percentage of sick days over worked days.

5 Surface & ground water are used for cooling and discharged into rivers in compliance with the applicable permits. Ecology based limits for these discharges are not limited in volume, but in thermal and chemical composition. Most of the tap water consumption is for use as part of the composition of products and not discharged as waste water.

6 Water discharged as waste water is only a small fraction of the tap water consumption. See remarks above.

## Water consumption<sup>5</sup>

(M3/ton of product produced)

Water consumption	2018	2019	2020
Surface water	10,86	12,07	13,52
Ground water	6,23	6,02	6,50
Tap water	0,43	0,39	0,46
Total	17,52	18,48	20,49

## Water discharge<sup>6</sup>

(M3/ton of product produced)

Water discharges	2018	2019	2020
Volume	0,12	0,14	0,16



## Waste

(Kg/ton of product produced)

Waste	2018	2019	2020
Non-hazardous	8,26	10,47	5,43
Hazardous	6,22	2,79	6,24
Total	14,48	13,26	11,67

## Raw materials

(%)

Raw Materials	2018	2019 <sup>7</sup>	2020
Renewable	30,44	39,75	36,01
Non-renewable	69,56	60,25	63,99

## Packaging

(%)

Packaging	2018	2019 <sup>8</sup>	2020 <sup>9</sup>
Renewable	42,81	36,07	54,96
Non-renewable	57,19	63,93	45,04

7. Data excluding India and Italy

8. Data excluding India, Italy and China

9. Data excluding Italy

10. Category 1 is defined by: Spill of a pollutant in a smaller quantity than categories 2 and 3

11. Category is defined by:

Spill of:

> 500 - < 50.000 kg nonhazardous substances

>100 - < 5.000 kg hazardous substances

>1 - < 100 kg toxic substances

## Energy consumption

(GJ/ton of product produced)

Energy	2018	2019	2020
Gas (scope 1)	1,622	1,036	1,392
Fuel (diesel – scope 1 )	0,001	0,032	0,032
Fuel (gasoline-scope 1)	0,000	0,005	0,005
LPG (scope 1)	0,000	0,001	0,001
Total Scope 1	1,623	1,074	1,430
Electricity non-renewable (scope 2)	0,000	0,000	0,000
Electricity renewable (scope 2)	1,004	1,211	1,240
Purchased heat (scope 2) <sup>4</sup>	0,065	0,074	0,049
Total scope 2	1,069	1,285	1,289
Total scope 1+2	2,692	2,359	2,719

## Loss of Primary Containment Incidents

(# of spills)

LOPC's	2018	2019	2020	Target 2021
Category 1 <sup>10</sup>	147	47	50	na
Category 2 <sup>11</sup>	1	1	3	<3
Category 3 <sup>12</sup>	0	1	0	0

12. Category 3 is defined by:

Potential catastrophic release of highly hazardous substances Spill of more than:

≥ 50.000 kg nonhazardous substances (i.e. vegetable or fish oil)

≥ 5.000 kg hazardous substances (ADR 1- 9, except ADR 6 or GHS word “danger” or “warning”)

≥ 100 kg toxic substances (ADR 6)



## Emissions

(CO<sub>2</sub>/ton of products produced for energy, other emissions kg)

Emissions		2018	2019	2020
Direct Greenhouse Gas (GHG) emissions in tons CO <sub>2</sub> equivalent	Gas (scope 1)	0,092	0,058	0,079
	Fuel (diesel scope 1)	0	0,002	0,002
	Fuel (gasoline scope 1)	0	0	0
	Fuel (LPG – scope 1)	0	0	0
	Methane (scope 1)	0	0	0
	Nitrous Oxide (scope 1)	0	0	0
	Emission CFC's (scope 1)	0	0	0
	Total GHG Scope 1	0,092	0,061	0,081
	Electricity (scope 2)	0,075	0,090	0,093
	Purchased heat (scope 2)	0,004	0,005	0,003
	Scope 2	0,079	0,095	0,096
Total scope 1 + 2	0,170	0,156	0,177	
Emissions to air	Emission NO <sub>x</sub>	2.349	2.037	1.514
	Emission Phenol	na	75	128
	Emission Formaldehyde	na	202	301

13 Category 2 is defined by:

Significant environmental incidents:

Exceeding permits

Public complaints

Off-site incidents during transport or transit Warning by authorities (compliance issue to be solved within a certain period)

14 Category 3 is defined by: Environmental incidents with serious effects:

Soil pollution

Visible damage to environment

Unusual high number of complaints

Exceeds plant border

Fines (Infringements with Law & Regulations noted by competent authority enforcement)

## Compliance

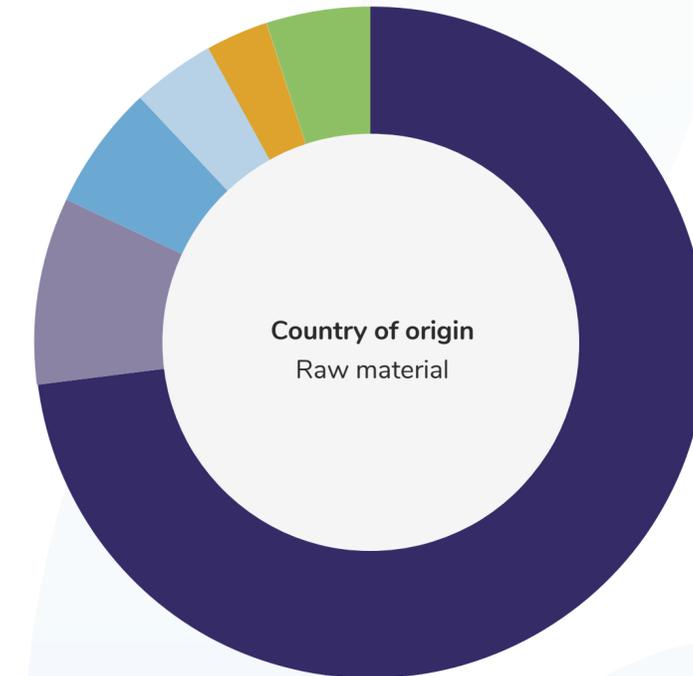
(Stakeholder complaints)

	2018	2019	2020	Target 2021
External complaints	5	6	1	≤ 2
Environmental incidents – category 2 <sup>13</sup>	7	9	2	≤ 2
Environmental incidents – category 3 <sup>14</sup>	0	0	0	0

## Country of Origin

(% of MT purchased)

EUR	73%
NOR	9%
CHN	6%
ARG	4%
RUS	3%
OTHER	5%



# Appendices

# Company profile

## SMIT & ZOON IS A 7TH GENERATION FAMILY OWNED BUSINESS.

The company started out in 1821 and has since grown into a worldwide renowned player that develops solutions for the leather industry. Our customers are active in industries such as Automotive, high-end Fashion, and Upholstery, where sustainability is of the utmost importance. Globally, Smit & Zoon has over 350 people working for Smit & Zoon. Its headquarters are situated in Weesp, the Netherlands. Smit & Zoon also has entities in Amersfoort (the Netherlands), Germany, Italy, China, India, and Mexico.

## BRANDS & PROCESSES

The corporate brand Smit & Zoon has three separate brands in its portfolio: Nera, Smit and Codyeco.





### TANNING

Tanning is the first step after the beam-house process, where the protein structure of the hides and skins from the animal is permanently altered, making it more durable and less susceptible to decomposition. Traditionally the main tanning methods are based on chrome, vegetable tannins, and chrome-free alternatives. In 2020, Smit & Zoon launched Zeology under a new brand Nera. Zeology is a truly sustainable alternative to existing tanning agents. It is zeolite-based and therefore chrome-free, heavy metal-free, and aldehyde-free. Through close cooperation with leading leather manufacturers and brands, Zeology is now a validated chrome, aldehyde, and heavy metal-free tanning alternative available in the market. The tanned product is named 'Zeo White'. Zeo-White tanned leather has a broad set of environmental, safety, health, and performance advantages.

[NeraTanning.com](http://NeraTanning.com)

### WET-END

Wet-End supports leather manufacturers with performance products and technical advice for wet-end operations. These operations constitute the third step in the process of producing leather (after beamhouse and tanning). During the wet-end process, the leather is given its haptic properties such as softness and tightness, while the required color is introduced by the application of dyestuffs. Leather manufacturers use our fatliquors, syntans and dyes to make leather suitable e.g. for hiking boots (by waterproofing), garments (by softening), upholstery, or automotive (by ensuring low emissions).

[SmitWet-end.com](http://SmitWet-end.com)

### FINISHING

Finishing develops and produces leather chemicals for the final step after the tanning and re-tanning/fatliquoring processes. End-users expect their leather to have more than the basic properties of the crust. For example, the leather may need to have certain color intensity, a structure or print, waterproofing, or certain other properties to enhance usability. The finishing process ensures that the leather has the properties required by the customer. The dry leather is washed, lacquered, pigmented, colored, and processed until the required effect is obtained. Leather finished with our products is used by leading brands in the shoe, bag, clothing, and furniture sectors.

[Codyeco.com](http://Codyeco.com)



# The Leather Supply Chain



## 1. LIVESTOCK

Livestock is kept for meat or milk production. Bovine (e.g. cow, bulls), ovine (e.g. sheep, goat), and pigs are most common.



## 2. SLAUGHTERHOUSE

Hides and skins are a by-product of the food industry. If these hides and skins were not used for leather, they would be wasted.



## 3. BEAMHOUSE

Hides are cleaned from dirt, blood, salt and hair, the collagen structure is opened, they are fleshed, processed with base chemicals and split into grains and splits. Splitting in this stage is common for upholstery and automotive leather. Hides are offered to tanning in full substance as well.



## 4. TANNING

In tanning the collagen of the hides is transformed into leather. Herewith the collagen of the hide is protected to microorganisms. Drying the leather at this stage would yield hard unhandleable leather. Different tanning agents can be used, e.g. Zeology, chrome, glutardialdehyde (GDA), synthetic products or vegetable extracts.



## 5. WET-END

In wet-end the leather is given its final properties by the application of syntans, fatliquors and dyes. Each leather article requires different wet-end products and mechanical actions.



## 6. FINISHING

The 'finishing' touch of leather making. Via several processes the leather is upgraded. A final film of several layers is used to protect the leather, increase its performance and to create fashionable colours and patterns.



## 7. MANUFACTURING

The finished leather is cut in a cutting plant. After combining the leather with other materials (e.g. a zipper or shoelaces) the final handbag, steering wheel or jacket is ready for the consumer.



## 8. CONSUMER

The consumer will use the durable leather article for years to come.

Please read more at [www.leathernaturally.org](http://www.leathernaturally.org)



## Stakeholder engagement

The process of identifying risks, interests, the impact on the company and stakeholders, and mitigating actions is a key business process within Smit & Zoon. It is a recurring agenda topic for Executive, Supervisory, and Global Leadership Team meetings.

Stakeholder	Key topics for the stakeholder	2020 stakeholder engagement
<b>Current and potential employees</b>	<ul style="list-style-type: none"> <li>- Attracting the right employer that fits the personal interest</li> <li>- Training and development</li> <li>- Sustainable employability</li> <li>- Openness, effective internal communications</li> <li>- Prioritize CSR throughout the organization</li> <li>- Feel comfortable with the guiding principles</li> <li>- Partnerships with educational institutions</li> <li>- IT tools supporting daily work and connecting colleagues globally</li> <li>- Safe and healthy workplace</li> </ul>	<ul style="list-style-type: none"> <li>- Annual appraisals and progress reviews</li> <li>- Recruitment plan</li> <li>- Identifying training requirements</li> <li>- Life and Work in Balance program</li> <li>- Regular employee meetings to inform everyone about what is happening in the business</li> <li>- Embed guiding principles within the employee experience</li> <li>- Implementation of Office365 in most part of the company and a global platform to connect worldwide with each other</li> <li>- Providing suitable equipment to work effectively from home and have a clear home-work policy for the longer term</li> <li>- Providing a safe (COVID-19 proof) working environment</li> <li>- Increased focus to offer internships and educational partnerships</li> </ul>
<b>Customers</b>	<ul style="list-style-type: none"> <li>- Good sustainable products and service</li> <li>- Reliable, stable, and responsive network</li> <li>- Product safety</li> <li>- Understanding of and compliance with new regulations and brand requirements</li> <li>- Compliance</li> <li>- IT Security</li> <li>- Business Continuity</li> </ul>	<ul style="list-style-type: none"> <li>- Regular face to face meetings during which our products and services are evaluated</li> <li>- Presence at global trade fairs to give customers and agents the chance to meet and talk to sales staff, technicians, specialists, and management</li> <li>- ZDHC Conformance Level 3 for our factory in China</li> <li>- Instructions about IT security and phishing mails</li> <li>- Understand each other's financial situation in relation to COVID-19</li> </ul>
<b>Brands</b>	<ul style="list-style-type: none"> <li>- Image of leather</li> <li>- Understanding leather</li> <li>- Price of leather compared to alternatives</li> <li>- Sustainable leather solutions</li> </ul>	<ul style="list-style-type: none"> <li>- Frequent contact with brands through educational sessions about leather and its unique proposition</li> <li>- Involving brands in new innovative projects to make the leather value chain more sustainable</li> <li>- Engaging with brands in networking organizations</li> <li>- Including brands in our Zeology launch</li> <li>- Sharing views on sustainability through white papers</li> </ul>



Stakeholder	Key topics for the stakeholder	2020 stakeholder engagement
<b>Suppliers (and outsourcing partners)</b>	<ul style="list-style-type: none"> <li>- Efficient and appropriate cooperation based on clear agreements</li> <li>- Financial security</li> </ul>	<ul style="list-style-type: none"> <li>- Regular one to one meeting</li> <li>- Sharing our Business Partner Code of Conduct</li> <li>- Understand each other's financial situation in relation to COVID-19</li> </ul>
<b>Society</b>	<ul style="list-style-type: none"> <li>- CO<sub>2</sub> footprint of food consumption</li> <li>- Animal welfare</li> <li>- Deforestation</li> <li>- Knowledge about leather</li> <li>- Macro-economic and political instability</li> <li>- NGO activities</li> <li>- Sincere and solid business practices</li> </ul>	<ul style="list-style-type: none"> <li>- Sharing educational information via Leather Naturally</li> <li>- Engage with NGOs like Solidaridad and others directly or indirectly through industry associations</li> <li>- Promoting Safe Use of Chemicals project in Bangladesh together with TEGEWA and Solidaridad</li> <li>- Implement and embed Business Partner Code of Conduct in our value chain</li> <li>- Include NGOs in our Zeology launch communication</li> </ul>
<b>Municipal and provincial authorities</b>	<ul style="list-style-type: none"> <li>- Good relationship with Smit &amp; Zoon</li> <li>- Safe environment for local residents</li> </ul>	<ul style="list-style-type: none"> <li>- Regular meetings</li> <li>- Regular audits</li> <li>- Ensure our production equipment meets all requirements</li> </ul>
<b>Industry Associations (MVO Nederland, Leather Working Group, Leather Naturally, ZDHC, Textile Exchange, TEGEWA, UNPAC, Federchimica, CLE)</b>	<ul style="list-style-type: none"> <li>- Constructive cooperation to help improve the leather value chain</li> </ul>	<ul style="list-style-type: none"> <li>- Regular meetings and joint activities with the mentioned organizations</li> <li>- MVO Nederland is the movement of entrepreneurs in the New Economy</li> <li>- Leather Working Group takes an active role in implementing best practices in the leather value chain: Smit &amp; Zoon takes an active role in the Supplier Subgroup and in the Tannery of the Future Subgroup</li> <li>- Leather Naturally is an industry member association that focuses on education and the promotion of leather. Smit &amp; Zoon is a financial contributor of the association and the METCHA leather marketing campaign and provides the Chair</li> <li>- ZDHC's mission is to protect the planet by reducing the industry's chemical footprint. Smit &amp; Zoon takes an active role in different Task Teams and will have all its products and production facilities in accordance with the highest conformance levels</li> <li>- Textile Exchange's mission is to advance responsibility and continuous improvement in the global leather value chain through leadership, science, and inclusive multi-stakeholder engagement and collaboration. Smit &amp; Zoon supports the development of the Leather Impact Accelerator</li> <li>- TEGEWA, UNPAC, FEDERCHIMICA, are industry associations for chemical companies focussing on the leather industry</li> <li>- CLE India: focussing on export promotion activities and development of the Indian leather industry</li> </ul>



## Key impacts, risks and opportunities

The process of identifying risks, their impact on the company and its stakeholders, and defining mitigating actions is a key business process within Smit & Zoon. It is a recurring topic for Executive and Supervisory Board meetings. Mitigated initiatives are included in the functional and business strategies and monitored on a regular basis. Moreover, Smit & Zoon has a strong focus on catalyzing improvement projects and initiatives, product and process innovation, education, and the promotion of leather.

Key impacts, risks and opportunities (not in order of importance)	Mitigated by
<b>The vegan trend (less meat consumption in certain countries) could reduce the global consumption of meat and the availability of hides &amp; skins</b>	Ensuring that leather manufacturers can upgrade their leathers towards more luxury and unique characteristics through our innovations and suggested processes and communicate about the sustainability of leather to relevant stakeholders.
<b>Animal welfare and traceability of hides and skins</b>	Strengthening organizations like the Leather Working Group and connecting to the meat industry via different organizations to ensure that animal welfare is improved where needed and hides and skins are traceable back to the slaughterhouse and ultimately to the farm.
<b>The image of leather is under attack. NGOs, specific consumer groups campaigning anti-leather</b>	Improving transparency in the leather value chain, engaging with NGOs where possible, and support initiatives that focus on education about leather. Educating brands, designers, and consumers about the sustainability of leather compared to other materials.
<b>Leather is more sustainable than synthetic materials</b>	Supporting leading industry initiatives and communicating ourselves that leather is the perfect material in a circular economy. As long as people consume meat, making leather out of the hides is the best upcycling option. Sustainability starts with longevity, which is one of the educational messages towards brands, designers, and consumers and a unique characteristic of leather.
<b>Lack of understanding and valuing leather at brands, designers, and consumers</b>	Supporting Leather Naturally and own communication with brands about the sustainability and uniqueness of leather.
<b>Circumstances under which leather is made are not up to standard in each country</b>	Support industry initiatives to raise the standards with measurable and auditable programs including training in safety and health where needed, like the approach in our Authorized Partner Program and the training project in collaboration with TEGEWA in Bangladesh
<b>Water usage and water quality</b>	Develop and promote leather processes with minimum amounts of water used and the least possible impact on the water quality (wastewater). Our Product Passport is our transparent way to communicate about the impact of our products.
<b>Hazardous substances in our products</b>	Having procedures in place to ensure that we are well informed about future developments and by ensuring that our products meet the highest conformance levels in the ZDHC MRSL.
<b>Fraud</b>	Ensuring to have sound systems and processes in place including a Business Partner Code of Conduct.
<b>IT security in relation to conducting financial and business transactions</b>	Ensuring to have our IT systems up to date protecting us against phishing etc. We frequently communicate with our employees, suppliers, and customers about the importance of IT security.



Key impacts, risks and opportunities (not in order of importance)	Mitigated by
Macro-economic and political instability in certain regions/countries	Ensuring that we work with sound and professional companies and manage our financial risks.
COVID-19 is resulting in a deteriorating financial situation of the value chain	Tight debt control and intensified focus to work with tomorrow's market leaders.
Brands have a desire to move away from chrome and aldehyde tanning	The launch of Zeology as a chrome-free, heavy metal-free, and aldehyde free sustainable tanning method.
Society is searching for sustainable and preferably circular products and processes	Investing in R&D, leather application specialists, and collaboration with knowledge providers to develop new solutions towards a circular economy.

## Clarification of materiality matrix

Material Topic	Clarification
GRI 403-Occupational Health & Safety	The goals of Occupational Safety and Health (OSH) programs aim to foster a safe and healthy work environment. OSH may also protect co-workers, family members, employers, customers, and many others who might be affected by the workplace environment.
GRI 306-Effluents & Waste	Our efforts focus on limiting the disposals of waste and spills in our own surroundings and within the leather value chain through innovations and collaborations.
GRI 303-Water & Effluents	Our efforts focus on reducing the water consumption in the leather manufacturing process through product and process innovations and ensuring that the wastewater is as clean as possible.
GRI 301-Materials	Our efforts include taking steps towards a circular economy including a focus on renewable (bio-based) raw materials.
GRI 307-Environmental Compliance	Our efforts are focusing on being a front runner in readiness for future environmental compliance from legislation and supporting industry compliance initiatives.
GRI 416-Customer Health & Safety	Our efforts are dedicated to ensuring that the end consumer of leather materials can use leather safely without a health risk.
GRI 202-Economic Performance	Our efforts are dedicated to ensuring a healthy economic performance for the company and the environments we act in.
GRI 205-Anti-Corruption	Our efforts are dedicated to implementing business ethics with the purpose of ensuring that trust is promoted in the leather value chain through our Code of Conduct, contracts, certificates, etc.
GRI 305-Emissions	Our efforts are dedicated to reducing emissions in our own premises and within the leather value chain.
GRI 302-Energy	Our efforts are dedicated to reducing the consumption of energy in the leather value chain and through a collaboration with the Climate Neutral Group to green our consumption through European wind energy and gold standard CO2 certificates.



## GRI index

Disclosure nr	Reporting Requirements	Disclosed information	Source of evidence
<b>ORGANISATIONAL PROFILE</b>			
102-1	Name of the organisation	Exploitatiemaatschappij Smit-Vecht B.V. The holding company is known as Smit & Zoon.	
102-2	Activities, brands, products, and services		Appendices, Brands & Product Processes
102-3	Location of headquarters		Colophon
102-4	Location of operations	Smit & Zoon is active in approximately 60 countries and has production operations, leather service centres, innovations centres and/or offices in The Netherlands, Germany, Italy, India, China and Brazil. It has a minority ownership in Codymex S.A. De C.V. in Mexico.	<a href="https://www.smitzoon.com/en/contact/global-network/">https://www.smitzoon.com/en/contact/global-network/</a>
102-5	Ownership and legal form	Privately owned.	
102-6	Market served	Smit & Zoon is a global player servicing customers which manufacture leather in the transportation, upholstery, fashion, and lifestyle segments.	<a href="https://www.smitzoon.com/en/our-story/leather/">https://www.smitzoon.com/en/our-story/leather/</a>
102-7	Scale of the organization	Not obliged to disclose financial information.	
102-8	Information on employees and other workers	The total number of employees by employment contract (permanent and temporary) is Male 217 FTE and 15 PTE and Female 78 FTE and 13 PTE. The total number of employees by employment contract (permanent and temporary): Europe: 277, South America: 0, Asia: 46. Some production and manufacturing are outsourced in the Netherlands, Italy, and India to companies that are closely managed and contracted by Smit & Zoon. In those countries where Smit & Zoon does not have legal entities but still requires people and services, individuals are contracted via a proper legal and tax structure.	
102-9	Supply chain	Smit & Zoon is engaging with approximately 115 key suppliers <sup>1</sup> (Logistics 10%, Product related goods 66%, others 24%). These key suppliers are divided over the main regions, being EMEA: 78%, Americas: 3%, Asia: 19%	
102-10	Significant changes to the organization and its supply chain	Legal entity merger: Smit Finishing SpA into Codyeco SpA. Smit Tanning BV has been founded to facilitate the tanning business.	
102-11	Precautionary Principle or approach	Smit & Zoon is actively involved and engaged with ZDHC MRSL programs, focussing on reducing and eliminating unwanted ingredients in its end products. Smit & Zoon is a strong advocate to drive sustainability in the leather supply chain through transparency and engagement.	<a href="https://www.smitzoon.com/en/sustainability/partnerships-stories/">https://www.smitzoon.com/en/sustainability/partnerships-stories/</a>

<sup>1</sup> Key suppliers and are the 20% of the total number that account for 80% of our procurement value.



Disclosure nr	Reporting Requirements	Disclosed information	Source of evidence
102-12	External initiatives	Smit & Zoon is encouraging business partners to comply with human rights as set out in the Universal Declaration of Human Rights and in the International Labour Organization (ILO), Ethical Base Code, and Declaration of Fundamental Principles and Rights of Work.  Smit & Zoon specifically endorses the business-relevant UN SDGs: (6) Clean water and sanitation; (8) Decent work and economic growth; (12) Responsible consumption and production and (17) Partnerships for the goals.	<a href="https://www.smitzoon.com/en/sustainability/">https://www.smitzoon.com/en/sustainability/</a>
102-13	Membership of associations		<a href="https://www.smitzoon.com/en/sustainability/partnerships-stories/">https://www.smitzoon.com/en/sustainability/partnerships-stories/</a> Stakeholder Engagement

#### STRATEGY

102-14	Statement from senior decision-maker		Introduction
102-15	Key impacts, risks, and opportunities		Appendices Key impacts, risks and opportunities
102-16	Values, principles, standards, and norms of behavior		Our Strategy
102-17	Mechanisms for advice and concerns about ethics	Smit & Zoon values and promotes transparency in communication and openness in communication throughout our organizational structure. In those cases where this would not be workable, a local trustable person and a whistleblower process are in place.	

#### GOVERNANCE

102-18	Governance structure	Smit & Zoon is a family-owned business. There is a Supervisory Board, appointed by the shareholders, to advise and guide the Board (CEO, CFO, Owner). The Global Leadership Team meets quarterly (Board members are included as well as Business Directors and Global Directors Commerce, Marketing/Communication, Operations, Innovation, and Sustainability) and is responsible for strategy formulation. Managers and Supervisors are responsible to manage the day-to-day business. Employee representation bodies are in place in those countries where this is a legal or regulatory requirement. These meet with local management as needed and in line with the local legal guidelines.	
102-19	Delegating Authority	Company strategy (in the form of OGSM's) and yearly operational plans (budget) are reviewed and approved by the Supervisory Board. On this basis, a company CSR (including QHSE) plan is made and delegated down into the organization. Monitoring takes place via monthly reporting on key topics and initiatives to the Board and on a quarterly basis to the Supervisory Board.	



Disclosure nr	Reporting Requirements	Disclosed information	Source of evidence
102-20	Executive level responsibility for economic, environmental, and social topics	The CEO has responsibility for economic, environmental, and social topics and reports directly to the Supervisory Board. The CFO has delegated responsibility for finance, risk management, compliance, and human resources. The CFO also is accountable to the Supervisory Board of the company. Both the CEO and CFO are supported by the Global Leadership Team members, with specific functional roles and expertise, in fulfilling their responsibilities.	
102-21	Consulting stakeholders on economic, environmental, and social topics	The Supervisory Board is informed by the Executive Board on economic, environmental, and social topics. Independent consultation takes place through meetings with key customers during industry fairs at which Supervisory Board members occasionally participate.	
102-22	Composition of the highest governance body and its committees	The Supervisory Board has 3 members, of which none has an executive role in the company. Nomination and appointment are per the Dutch legal and regulatory framework. The appointment is for a period of 4 years. A finance/audit and Board remuneration committee is in place. The Supervisory Board members have significant C-level experience and expertise in organizations that operate in other fields than Smit & Zoon. In their role, they are supported by the external auditor (PWC) and specialized consulting firms for legal, tax, and other expertise.	
102-23	Chair of the highest governance body	The Chair of the Supervisory Board is externally appointed and has no executive role in the company.	
102-24	Nominating and selecting the highest governance body	The Supervisory Board is selected and nominated within the guidelines of the Dutch legal and regulatory framework.	
102-25	Conflicts of interest	Conflict of interest is avoided through the selection process of Supervisory Board members. Per Dutch law, they are required to announce possible conflict of interest cases.	
102-26	Role of highest governance body in setting purpose, values and strategies	The Supervisory Board challenges and approves (on behalf of the shareholder) the Purpose, Values, and Strategies of the company. These are proposed by the executive level. In quarterly meetings, specific topics are discussed in-depth, also using outside expertise and input.	
102-27	Collective knowledge of highest governance body	The Supervisory Board members enhance their knowledge through the regular meetings in which GLT members are invited to discuss their area of responsibility. Moreover, the Supervisory Board members are encouraged to visit other Smit & Zoon locations and trade fairs. One of the Supervisory Board members is regularly present in the company and once a year meets with the works council in the Netherlands.	
102-28	Evaluating the highest governance body's performance	The Supervisory Board's performance is a yearly item on the meeting calendar with the executive board. Performance is evaluated based on self-assessment and input and feedback from the executive board.	



Disclosure nr	Reporting Requirements	Disclosed information	Source of evidence
102-29	Identifying and managing economic, environmental, and social impacts	Identification of economic, environmental, and social impact takes place through continuous dialogue with key stakeholders in the leather supply chain, active participation in industry organizations, and cooperation in important value chain initiatives. This input is translated into operational and strategic initiatives via the regular management processes. The Management Board and Supervisory Board are herein actively engaged.	Appendices Stakeholder engagement
102-30	Effectiveness of risk management process	The organization has a comprehensive risk identification process that identifies and quantifies risks on a yearly basis. These risks include social, environmental, and economic topics. The outcome of this process is reviewed every year with the Supervisory Board and the external accountant.	Appendices Key impacts, risks and opportunities
102-31	Review of economic, environmental, and social topics	The Supervisory Board meets on a quarterly basis to discuss and give guidance on economic, environmental, and social topics. Moreover, they receive written reporting on a monthly basis.	
102-32	Highest governance body's role in sustainability reporting	The Executive Board reviews and approves the organization's sustainability report and thus ensures that all material topics are covered.	
102-33	Communicating critical concerns	Critical concerns are reported to the Supervisory Board in formal meetings which are held on a quarterly basis. If concerns are of such urgency that immediate consultation is needed, the Chair of the Supervisory Board is contacted.	
102-34	Nature and total number of critical concerns	No critical concerns were reported in 2020.	
102-35	Remuneration policies	The organization's policy on remuneration is to offer a compensation package that complies with local laws and regulations, enables attracting the right level of competencies and skills to the company, and is in line with what the market offers for similar roles and positions.	
102-36	Process for determining remuneration	External benchmarks, published indices, and consultants are used which are independent of the executive team and management. The process takes place on an annual basis. Executive Board remuneration is set by the Supervisory Board and follows a similar process.	
102-37	Stakeholders' involvement in remuneration	Not involved	
102-38	Annual total compensation ratio	Not disclosed	
102-39	Percentage increase in annual total compensation ratio	Not disclosed	



Disclosure nr	Reporting Requirements	Disclosed information	Source of evidence
<b>STAKEHOLDER ENGAGEMENT</b>			
102-40	List of stakeholder groups		Appendices Stakeholder engagement
102-41	Collective bargaining agreements	Smit & Zoon does not have collective bargaining agreements. In some countries, employees are organized by law in employee/employer forums in which collective agreements are discussed and made.	
102-42	Identifying and selecting stakeholders		Appendices Stakeholder engagement
102-43	Approach to stakeholder engagement		Appendices Stakeholder engagement
102-44	Key topics and concerns raised		Appendices Stakeholder engagement
<b>REPORTING PRACTISE</b>			
102-45	Entities included in the consolidated financial statements	Smit & Zoon is a privately owned company and does not publish financial statements other than statements required by law. This report includes 1 entity in the Netherlands, 1 entity in Germany, 1 entity in Italy, 1 entity in India, and 1 in China.	
102-46	Defining report content and topic boundaries	The report content is based on the Materiality principle. Through engagement with stakeholders including customers, brands, authorities, industry associations, and employees, the materiality topics and their boundaries have been defined.	Materiality Matrix
102-47	List of material	Smit & Zoon has selected out of the 33 GRI topics that have the most impact.	Materiality Matrix
102-48	Restatements of information	Not applicable	
102-49	Changes in reporting	The data compilation method in renewability has been fine-tuned (more accurate and complete) and will be further finetuned during 2021.	
102-50	Reporting period	2020	
102-51	Date of the most recent report	April 2020	
102-52	Reporting cycle	Annual basis	
102-53	Contact person for questions regarding the report	Egbert Dijkers – Global Director Sustainability	<a href="mailto:egbert.dijkers@smitzoon.com">egbert.dijkers@smitzoon.com</a>



Disclosure nr	Reporting Requirements	Disclosed information	Source of evidence
102-54	Claims of reporting in accordance with GRI Standards	This report has been prepared with guidance from the GRI Standards: Core Option where possible and applicable	
102-55	GRI content index	Not applicable	
102-56	External assurance	This is Smit & Zoon's 8 <sup>th</sup> CSR report, addressing the performance and approach taken throughout our business in terms of corporate social responsibility.	



## Colophon

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