



ISA nextgenmaterials



ISA Responsible Sourcing Policy Standard for Cattle hides

Policy Overview

Preserving forests and other natural ecosystems is of paramount importance in safeguarding biodiversity, mitigating climate change, and promoting sustainable livelihoods. ISA procures cattle hide raw materials, which may carry associated risks related to deforestation and human rights issues. We acknowledge that responsible farming and ranching play a vital role in fostering a more sustainable world, bolstering climate resilience, and supporting biodiversity conservation.

This policy articulates our commitment to establish deforestation-free and conversion-free supply chains by responsibly sourcing cattle hides.

In close collaboration with civil society, we have crafted this policy to align with the Accountability Framework Initiative (AFI), the International Labor Organization (ILO), and the UN Guiding Principles on Business and Human Rights (UNGPs). These principles are applicable to our partners in the cattle hide supply chain.

Scope of Policy

This policy applies to all wet blue producers and suppliers, whether they are engaged in production within their owned facilities or sourcing hides from both direct and indirect suppliers.

Commitment of the Policy

ISA is committed to ensuring that its purchased hides are sourced in the most responsible and sustainable manner where there is accountability for the reduction in potential negative impacts linked to livestock production.

We actively promote the advancement of ethical standards within the leather supply chain. This involves fostering responsible practices, including the implementation of leading-edge standards at the farm and ranch levels. These standards prioritize the efficient use of natural resources, resulting in reduced emissions and the enforcement of rigorous animal welfare measures.

ISA is actively involved in creating data-driven, science-based sustainability objectives. This effort encompasses the formulation and execution of policies, procedures, and systems in accordance with globally recognized frameworks. These frameworks aim to enhance accountability and transparency within ISA's supply chain, marked by more robust commitments, well-defined targets, and time-bound milestones that are set to debut in 2024.

1. Pledge to Sustainable Due Diligence (Traceability, Deforestation, and Conversion)

ISA is deeply committed to fostering sustainability and traceability throughout its entire cattle hide supply chain. We firmly endorse and actively support initiatives that establish robust and auditable traceability systems capable of tracing raw materials back to their source farms, thereby enhancing transparency through independent third party certification.

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Within our operations and in collaboration with our suppliers, we are dedicated to achieving the following objectives:

Preservation of Forests and Natural Ecosystems This encompasses:

- Support the prevention of deforestation in natural forests, including High Carbon Stock forests.
- Support the prevention of conversion of other natural ecosystems, including peatlands of any depth.
- Support the protection of natural forests and ecosystems.

These commitments align with the definitions of no gross deforestation, legal or illegal, and conversion free, as outlined in the Accountability Framework Initiative (AFI) in Annex 2.

The timeline for suppliers who source hides from the Amazon Biome is aligned with the European Union Deforestation Regulation (EUDR) for any products and commodities linked to deforestation or forest degradation after December 31, 2020.

- 1) By December 30, 2024 a minimum of 20% of Brazilian hides sourced by ISA Tan Tec must have traceability across the entire supply chain, encompassing both direct and indirect farms. Furthermore, they must be verifiably free from any association with gross deforestation, legal or illegal, throughout their entire lifecycle.
- 2) By December 30, 2026 a minimum of 50% of Brazilian hides sourced by ISA Tan Tec must have traceability across the entire supply chain, encompassing both direct and indirect farms. Furthermore, they must be verifiably free from any association with gross deforestation, legal or illegal throughout their entire lifecycle.
- 3) By December 30, 2028 a minimum of 75% of Brazilian hides sourced by ISA Tan Tec must have traceability across the entire supply chain, encompassing both direct and indirect farms. Furthermore, they must be verifiably free from any association with gross deforestation, legal or illegal and are conversion free throughout their entire lifecycle.
- 4) By December 30, 2030 100% of the Brazilian hides sourced by ISA Tan Tec must have traceability across the entire supply chain, encompassing both direct and indirect farms. Furthermore, they must be verifiably free from any association with gross deforestation, legal or illegal and are conversion free throughout their entire lifecycle.

ISA will collaborate with our cattle hide supply chain partners to establish mutually agreed-upon timelines and methodologies. Non-compliance is determined based on whether the land used for hide and skin production has undergone gross deforestation, legal or illegal, and conversion free as outlined in the Accountability Framework Initiative (AFI) in Annex 2.

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The cutoff date for considering deforestation or conversion as non-compliant aligns with the European Union Deforestation Regulation (EUDR) for any products and commodities linked to deforestation or forest degradation after December 31, 2020.

2. Commitment to Respect Animal Welfare

ISA firmly upholds the principles of compassionate and respectful treatment of animals, and we are committed to ensuring their ethical treatment. We hold the expectation that all our suppliers, who operate at various stages along the supply chain—extending from the birth farm to transportation and packing facilities—adhere rigorously to verified animal welfare standards.

These standards must be in harmony with recognized frameworks such as the American Humane Society's Five Animal Welfare Freedoms or comparable control systems applicable in the country where the cattle hides are sourced.

- 1) Freedom from hunger and thirst
- 2) Freedom from discomfort
- 3) Freedom from pain, injury, and disease
- 4) Freedom to express normal behavior
- 5) Freedom from fear and distress

ISA encourages our cattle hide supply chain partners to run independent verifications to ensure those principles are followed throughout its supply chain. Animal welfare specific certifications and auditing are preferable and include industry leading initiatives such as Beef Quality Assurance (BQA) in the United States.

Note:

BQA is a national program in the United States that focuses on promoting best management practices for beef cattle production. It was developed to ensure that beef cattle are raised, handled, and treated in a manner that promotes animal health and well-being, food safety, and quality beef production. Details refer to <https://www.bqa.org/>

1. Commitment to Respect Human rights and Ethical Practice

ISA is dedicated to fostering environments that are equitable, secure, and devoid of discrimination for all employees. We firmly believe that companies should create opportunities for employee growth and are committed to diligently seeking and adhering to applicable local laws, regulations, and principles. We continually promote enhancements in our business operations to safeguard our reputation. We expect our business partners collaborating with us to uphold and sustain these standards.

Implementation of the Policy

This policy covers the requirements that our tanneries and supply chain partners are expected to meet, thereby enabling the fulfillment of our commitments. The policy consists of two elements: general requirements and specific requirements.



The general requirements are applicable to all cattle ranches involved in the production of the hide, including direct and indirect suppliers to the slaughterhouse, while the specific requirements pertain to sourcing from countries/regions where there may be risks associated with deforestation and conversion.

1. General requirements

Traceability within the cattle hide supply chain is a fundamental aspect of our policy commitments. Therefore, we request that all wet blue shipments adhere to the following essential requirements:

- a) Wet blue hides are individually code-stamped in such a way that the slaughterhouse in which the animals were slaughtered can be determined from the code.
- b) Wet blue hides are individually code-stamped in such a way that the date on which the animals were slaughtered can be determined from the code.
- c) A document explaining the stamp code, i.e. listing all potential slaughterhouses in the supply chain and which enables identification of the slaughterhouse for each hide in the shipment and the date of slaughter.
- d) Wet blue hides to be packed on pallets that have been individually covered and identifying the slaughterhouse where the hide originates.
- e) Document(s) that list for each pallet of the shipment the number of hides on the pallet and the process lot numbers for each pallet.
- f) A document listing the slaughterhouses from which all hides in each shipment were obtained.
- g) Our preference is sourcing material from tanneries that have scored high on their LWG traceability audit (e.g., >80%)
- h) Due diligence requirements for all hide and wet blue purchases will be updated according to the latest policies from the EUDR.

2. Specific requirements

1) Leather Sourcing from Brazil

In addition to general requirements, for hides originating from Brazil, suppliers of Brazilian material must be able to:

- a) Demonstrate that the cow hides are not originated from animals farmed on ranches that directly supplied the meatpacker with the animal and were involved in the deforestation or conversion, encroachment on indigenous lands and / or protected areas in the Amazon or Cerrado biomes, through observation of the requirements of the Accountability Framework Initiative (AFI) in alignment with the European Union Deforestation Regulation (EUDR). ISA will exclusively accept materials that are free from any association with deforestation or conversion after December 31, 2020, in alignment with the European Union Deforestation Regulation (EUDR) [for any products and commodities listed in the policy].
- b) Demonstrate that cow hides are not originated from animals farmed on ranches that are indirect suppliers to meatpackers and that have been involved in deforestation or conversion, invasion of indigenous lands and/or protected areas in the Amazon or Cerrado biomes, through observation of the requirements of this Policy



- c) Provide the names, locations, and certification rating of tanneries.
ISA highlights certifications/platforms for leather products, which aim to address deforestation and conversion including the Leather Working Group (LWG) and/or the Center of Brazilian Tanning Industries (CICB)'s certification scheme (Certification for Sustainability of Brazilian Leather, CSCB).
- d) Periodically ISA Tan Tec will request independent third-party verifications of slaughterhouses to ensure they are not sourcing cattle from deforested or conversion areas.

2) Leather Sourcing from Brazilian Amazon Biome

- e) Bovine hides must be obtained exclusively from animals raised on ranches that are not associated with deforestation or conversion in the Brazilian Amazon and Cerrado biome. ISA will exclusively accept materials that are free from any association with deforestation or conversion after December 31, 2020, in alignment with the European Union Deforestation Regulation (EUDR) [for any products and commodities listed in the policy].
- f) Wet blue tanneries, agents, and other suppliers must source bovine hides exclusively from slaughterhouses or suppliers that have established and can provide evidence of credible supply chain monitoring systems for their direct suppliers to ensure zero deforestation or conversion cattle sourcing, and they must have plans in place to expand their monitoring systems to include indirect suppliers. These systems must provide evidence to meet the end-targets stated on the **Commitment to Sustainability (Traceability, Deforestation and Conversion)**, the evidence must be provided upon request to include:

- i. Guia de Transporte Animal (GTA)
- ii. Cadastro Ambiental Rural (CAR)

g) Due Diligence System on the Policy

We have established relevant internal procedures for Communication, Monitoring, Verification, and Performance Review with continuous improvements for the Cattle Hide (Wet blue) Supply Chain of ISA.

1. Communication

In written communication, such as contract clauses, signing onto this policy serves as a self-declaration and commitment (among other things) for wet blue suppliers. ISA will exclusively accept materials that are free from any association with deforestation or conversion after December 31, 2020, in alignment with the European Union Deforestation Regulation (EUDR) [for any products and commodities listed in the policy]. Furthermore, ISA will request all suppliers to disseminate this information to their own operations, producers, and any other upstream actors.

2. Monitoring

We will engage in proactive monitoring to oversee the implementation and outcomes concerning deforestation, conversion, and human rights within the cattle hide supply chain based upon review of the documentation the suppliers provide as well as periodic independent third-party verification.



In the event that we detect a potential non-compliance or risk that contravenes this policy, we will engage in a dialogue with the tanneries to ensure transparency and request any necessary corrective actions.

- 1) **Examples of Due Diligence for tanneries and slaughterhouses can include** (not limited to):
 - a) Signatories to the G4 agreement, or signatories to the TAC with plans underway to adopt G4-aligned zero deforestation sourcing criteria.
 - b) Procedures to check farms not included on the IBAMA embargo list.
 - c) Utilizing tools to track direct and indirect supplying cattle ranches, such as VISIPEC.
 - d) Requiring complete boundary maps (i.e. CAR) for supplying farms.
 - e) Explanation of plans and / or activities to improve visibility of indirect supplying ranches (calving and backgrounding farms).

4. Verification

ISA is committed to fully auditable verification processes to include independent third-party verifications of this policy for cattlehide wet blue suppliers and source slaughterhouses.

5. Performance Review and Continuous Improvement

Recognizing that responsible sourcing is a journey, ISA is committed to collaborating closely with our supply chain partners to assess their performance and address any challenges. In cases of non-compliance or the need for improvements related to our Hide Policy commitment, we will work in conjunction with our brands to jointly find solutions.

Signature: _____

Position: _____

Name: _____

Date: _____





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Annex 1:

Explanation on Definitions

Annex 2:

Requirement on Due Diligence Statement of European Union Deforestation Regulation/EUDR, (EU) 2023/1115

Annex 3:

Relevant commodities and relevant products as referred to in Article 1 of EUDR

Annex 1: Explanation on Definitions

1. Accountability Framework's Initiates

Shorten as "AFi", it is a roadmap for achieving ethical supply chain that protect forest, natural ecosystem, and human rights, including twelve Core Principles from the foundation of the Accountability Framework.

Details refer to <https://accountability-framework.org/>

2. Conversion(referring to the Terms and Definitions of AFi, May 2020)

Change of a natural ecosystem to another land use or profound change in a natural ecosystem's species composition, structure, or function. Deforestation is one form of conversion (conversion of natural forests).

Conversion includes severe degradation or the introduction of management practices that result in a substantial and sustained change in the ecosystem's former species composition, structure, or function. Change to natural ecosystems that meets this definition is considered to be conversion regardless of whether or not it is legal.

3. Deforestation(referring to the Terms and Definitions of AFi, May 2020)

Loss of natural forest as a result of: i) conversion to agriculture or other non-forest land use; ii) conversion to a tree plantation; or iii) severe and sustained degradation. This definition pertains to no-deforestation supply chain commitments, which generally focus on preventing the conversion of natural forests. Severe degradation (scenario iii in the definition) constitutes deforestation even if the land is not subsequently used for a non-forest land use. Loss of natural forest that meets this definition is considered to be deforestation regardless of whether or not it is legal. The Accountability Framework's definition of deforestation signifies "gross deforestation" of natural forest where "gross" is used in the sense of "total; aggregate; without deduction for reforestation or other offset."

4. No-conversion (synonym: conversion-free):

Commodity production, sourcing, or financial investments that do not cause or contribute to the conversion of natural ecosystems (as defined by the Accountability Framework). No-conversion refers to no gross conversion of natural ecosystems, which the Accountability Framework specifies as the appropriate policy and goal on this topic for companies and supply chains. The terms "no-conversion" and "conversion-free" are used in favor of "zero-conversion" because "zero" can imply an absolutist approach that may be at odds with the need to sometimes accommodate minimal levels of conversion at the site level in the interest of facilitating optimal conservation and production outcomes (see definition for minimal level [of deforestation or conversion]).



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5. No-deforestation (synonym: deforestation-free):

Commodity production, sourcing, or financial investments that do not cause or contribute to deforestation (as defined by the Accountability Framework). No-deforestation refers to no gross deforestation of natural forests, which the Accountability Framework specifies as the appropriate policy and goal on this topic for companies and supply chains. In the context of the Accountability Framework, deforestation refers to the loss of natural forest (see definition of deforestation). The AFi recognizes the High Carbon Stock Approach (HCSA) as a practical tool to implement no-deforestation in the tropics, in contexts where the tool has been validated. The terms “no-deforestation” and “deforestation-free” are used in favor of “zero deforestation” because “zero” can imply an absolutist approach that may be at odds with the need sometimes to accommodate minimal levels of conversion at the site level in the interest of facilitating optimal conservation and production outcomes (see definition for minimal level [of deforestation or conversion]).

Deforestation-free (referring to EU regulation)

Means: (a) that the relevant products contain, have been fed with or have been made using, relevant commodities that were produced on land that has not been subject to deforestation after 31 December, 2020; and (b) in the case of relevant products that contain or have been made using wood, that the wood has been harvested from the forest without inducing forest degradation after 31 December, 2020.

6. Human Rights(Referring to United Nations)

Human rights are rights we have simply because we exist as human beings - they are not granted by any state. These universal rights are inherent to us all, regardless of nationality, sex, national or ethnic origin, color, religion, language, or any other status.



Annex 2:

Requirement on Due Diligence Statement of European Union Deforestation Regulation, or REGULATION (EU) 2023/1115

ANNEX II

Due diligence statement

Information to be contained in the due diligence statement in accordance with Article 4(2):

1. Operator's name, address and, in the event of relevant commodities and relevant products entering or leaving the market, the Economic Operators Registration and Identification (EORI) number in accordance with Article 9 of Regulation (EU) No 952/2013
2. Harmonised System code, free-text description, including the trade name as well as, where applicable, the full scientific name, and quantity of the relevant product that the operator intends to place on the market or export. For relevant products entering or leaving the market, the quantity is to be expressed in kilograms of net mass and, where applicable, in the supplementary unit set out in Annex I to Regu Harmonised System code or, in all other cases, expressed in net mass specifying a percentage estimate or deviation or, where applicable, volume or number of items. A supplementary unit is applicable where it is defined consistently for all possible subheadings under the Harmonised System code referred to in the due diligence statement.
3. Country of production and the geolocation of all plots of land where the relevant commodities were produced. For relevant products that contain or have been made using cattle, and for such relevant products that have been fed with relevant products, the geolocation shall refer to all the establishments where the cattle were kept. Where the relevant product contains or has been made using commodities produced in different plots of land, the geolocation of all plots of land shall be included in accordance with Article 9(1), point (d).
4. For operators referring to an existing due diligence statement pursuant to Article 4(8) and (9), the reference number of such due diligence statement.
5. The text: 'By submitting this due diligence statement the operator confirms that due diligence in accordance with Regulation (EU) 2023/1115 was carried out and that no or only a negligible risk was found that the relevant products do not comply with Article 3, point (a) or (b), of that Regulation.'
6. Signature in the following format:
'Signed for and on behalf of:
Date:
Name and function: Signature:'.



Annex 3: Relevant commodities and relevant products as referred to in Article 1 of EUDR

Relevant commodities and relevant products as referred to in Article 1

The following table lists goods as classified in the Combined Nomenclature set out in Annex I to Regulation (EEC) No 2658/87 that are referred to in Article 1 of this Regulation.

Except for by-products of a manufacturing process, where that process involved material that was not waste as defined in Article 3, point (1), of Directive 2008/98/EC, this Regulation does not apply to goods if they are produced entirely from material that has completed its lifecycle and would otherwise have been discarded as waste as defined in Article 3, point (1), of that Directive.

Table with 2 columns: Relevant commodity, Relevant products. Row 1: Cattle, 0102 21, 0102 29 Live cattle; ex 0201 Meat of cattle, fresh or chilled; ex 0202 Meat of cattle, frozen; ex 0206 10 Edible offal of cattle, fresh or chilled; ex 0206 22 Edible cattle livers, frozen; ex 0206 29 Edible cattle offal (excluding tongues and livers), frozen; ex 1602 50 Other prepared or preserved meat, meat offal, blood, of cattle; ex 4101 Raw hides and skins of cattle (fresh, or salted, dried, limed, pickled or otherwise preserved, but not tanned, parchment-dressed or further prepared), whether or not dehaired or split; ex 4104 Tanned or crust hides and skins of cattle, without hair on, whether or not split, but not further prepared; ex 4107 Leather of cattle, further prepared after tanning or crusting, including parchment-dressed leather, without hair on, whether or not split, other than leather of heading 4114