

# **ISA Group Corporate Social Responsibility Report 2022**



**ISA nextgenmaterials**



# ABOUT THE REPORT

Responded topics of GRI 2-1, 2-2, 2-3, 2-6, 2-14

## Introduction

GRI 2-1, 2-3

**This report is the 2022 Corporate Social Responsibility (CSR) Report released by ISA Industrial Limited (ISA Next-Gen Materials Group, “ISA Group”) and our subsidiaries, communicating our philosophies, strategies and performance of corporate social responsibilities.**

**As part of our commitment to good corporate citizenship, we will continue to publish the CSR report on a yearly basis.**

## Reporting Scope

GRI 2-1, 2-2

This report covers the group-wide level management mechanisms and systems of ISA TanTec Ltd. Our headquarters is based in Macau (MIT). Our report includes the operational activities of our entities, including Heshan Bestway Leather Product Ltd. (HSBWL), Heshan TanTec Leather Co., Ltd. (HTL), Saigon TanTec Leather Ltd. (STL) and TransAsia TanTec Ltd. (TTL).

This report does only partly cover Mississippi TanTec Leather Inc. (MTL), since it is currently operated in a relatively small scale. We will work with perseverance to boost the scales and performances of the operations to the entities mentioned above.

## Reporting Period

GRI 2-3

This report covers the period from January 1, 2022, to December 31, 2022, while some information in this report is beyond this period and is intended to improve comparability.

## Data Source

GRI 2-2, 2-14

Our management provides all information and data disclosed in this report and is responsible for reviewing and approving the reported information, including the Group’s material topics. All formal sources of information come from within or outside ISA Group, including internal and external documents.

## Standards of Report

GRI 2-6

This report is prepared based on the core option of the Global Reporting Initiative Sustainability Reporting Standards (GRI Standards) issued by the Global Sustainability Standards Board (GSSB). In addition, the report also initiates alignment to the 2030 Sustainable Development Goals (SDGs) set by the United Nations, a universal call to address the significant economic, social and environmental challenges the planet faces.

There is no significant change in the value chain of this report from that of the ISA CSR Report 2020-2021, published on 17 June, 2022.



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## MESSAGE FROM THE BOARD

# Welcome from Uwe Hutzler, Chief Executive Officer

**ISA has passion and positive outlook towards social issues through sharing and giving**

### Responded topics of GRI 2-22

ISA Next-Gen Materials, the industry leader in producing sustainable leather and other sustainable materials, is committed to give back to the society.

Sustainability is ISA's core business and the basis to drive growth and profitability.

Across the wide range of sustainability aspects, various stakeholders including customers, suppliers, shareholders, employees, and communities can rely on ISA's activities to support the society by fulfilling a high degree of Corporate Social Responsibility.

In the beginning of 2023, a large part of the world finally entered the post-Covid period. Long-Covid effects for the economy like inflation, unemployment, and liquidity bottlenecks appear even stronger in the post-pandemic period than during the pandemic itself.

This makes it even more important to step up the support of especially communities and employees in our various locations. We have laid out targets and taken steps with commitments to corporate social responsibilities by releasing the ISA Corporate Social Responsibility Report 2022.

As before, the report focuses on numerous initiatives, including safety, health, and social efforts, to react responsively to the 3rd year of the pandemic in 2022.

We strive to establish, maintain, and improve a culture of integrity and to share resources with society through different programs, including donations to the vulnerable individuals and support to various non-governmental organizations (NGOs). We always endeavor to bring passion and a positive outlook to social issues while sharing and giving.



With this Corporate Social Responsibility (CSR) Report 2022, we hope to provide you with a better insight into ISA's CSR initiatives in the past, present and more importantly – our outlook and commitment to a better future after the pandemic.

Yours sincerely,

Uwe Hutzler  
Chief Executive Officer

# ABOUT ISA GROUP

Responded topics of GRI 2-1, 2-6, 2-28



Founded in 1995, ISA Group is a private and majority private equity-owned company that currently has four ultra-modern tanneries located in the USA, Vietnam and China. In 2016, Navis Capital Partners co-invested in our group as a strategic partner to support further growth ambitions.

ISA is a global leader in the manufacturing of Next-Gen materials, specialized in producing sustainable leathers and sustainable additional materials for footwear, handbag, apparel and accessories. We are represented by our trademarked LITE (Low Impact to the Environment) manufacturing concept in all facilities. The LITE concept defines and guarantees a high standard of

environmental sustainability in the manufacturing process. We have been recognized throughout the years by global brands as a partner providing high-quality leathers, with a good reputation for reliable services and outstanding corporate social responsibilities. The LITE system is fully integrated into the manufacturing process, which is specially designed to reduce the usage of water, energy and chemicals. Our effort is consistently minimizing the impact to the environment by the Best Available Technology (BAT) in the industry and sustainably driving the business.

To meet customers' requirements for additional sustainable materials in response to current market trends, we have also been investigating and have

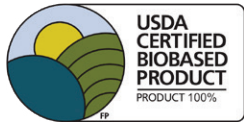
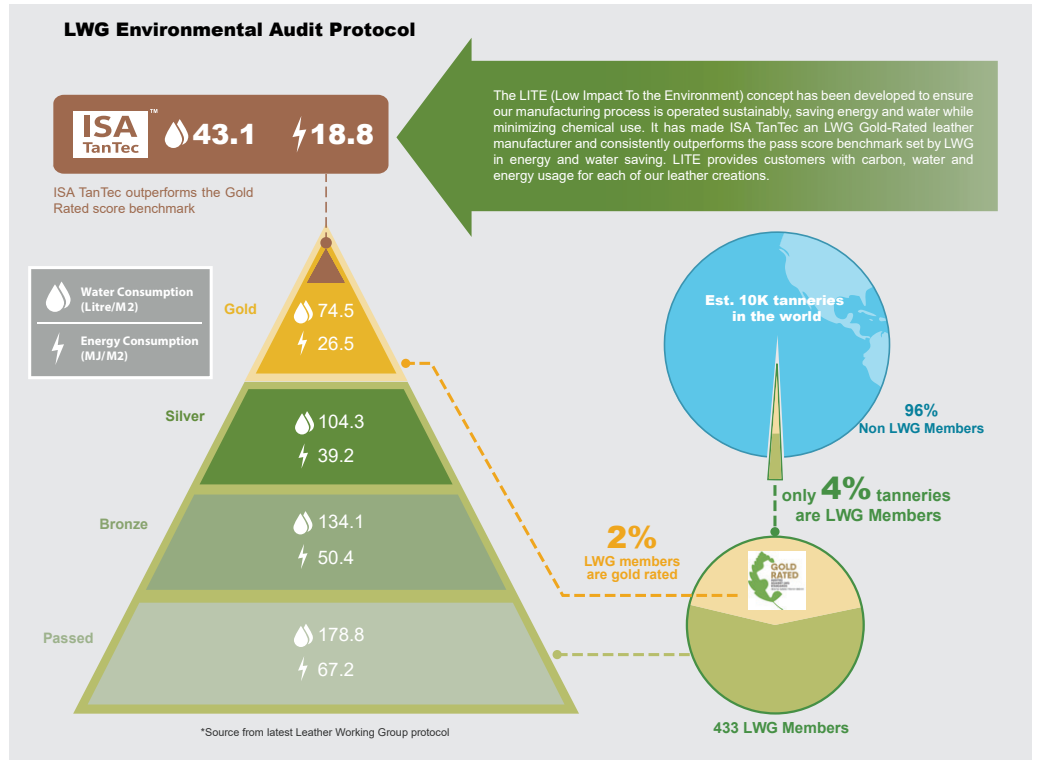
already spent years in research and development with scientists to produce new sustainable additional materials along with our already recognized sustainable LITE leathers. We have launched the Creation of Sustainable Materials (COSM™) business unit, specializing in developing and producing sustainable additional materials, alternatives to petrochemical-based materials such as plastics that are non-environmental friendly. With the COSM™ materials already launched in the market, we are able to provide high-quality, reliable and environmentally compliant additional materials and premium services to brands that are already customers of our LITE leathers.

# Certificates and Memberships

## GRI 2-28

All our entities are Leather Working Group (LWG) Gold Rated. HSBWL, HTL, STL and TTL are certified with the ISO14001 and ISO9001. In addition, HSBWL, HTL and STL are certified with ECO2L\*.

\*ECO2L is a Corporate Carbon Footprint Standard for leather products by internal energy consumption compared to the BEET energy benchmark or Best Energy Efficiency for Tanning in Europe.





**HESHAN BESTWAY LEATHER PRODUCT LTD.**  
No. 1 Xingji Road, Heshan Town, Heshan City, Guangdong Province, Postal Code 529727, P.R. China

produces at its site in an energy-efficient process and calculates the CO<sub>2</sub> / the PCF (product mix) in accordance with the ECOL-calculation tool.

Registered audit number: 068  
Category of production: well-shed/semi-white/well-gilten to crust  
Type of leather: finished upper and automotive leather  
Audit record: ECOL, R.S.11-2023  
Auditor: DSH-Eng. Selta Knödel  
Peer Review: FILK Freiberg Institute gGmbH

*Andreas Meyer*  
Andreas Meyer, Managing Director VDL

Audit date: 21. December 2022    Audit valid until: 21. December 2025

VDL  
Verband der Deutschen Lederindustrie e.V.  
German Leather Federation  
Maison Lederstraße 19  
80339 Frankfurt am Main

Telefon +49 69 376431  
Telefax +49 69 380009  
info@vdl.de  
www.vdl.de



**HESHAN TANTEC LEATHER CO. LTD.**  
Unit 2, No.1 Xingji Road, Heshan Town, Heshan City, Guangdong Province, P.R. China

produces at its site in an energy-efficient process and calculates the CO<sub>2</sub> / the PCF (product mix) in accordance with the ECOL-calculation tool.

Registered audit number: 066  
Category of production: well-shed/semi-white/well-gilten to finished leather  
Type of leather: finished leather  
Audit record: ECOL, R.S.11-2023  
Auditor: DSH-Eng. Selta Knödel  
Peer Review: FILK Freiberg Institute gGmbH

*Andreas Meyer*  
Andreas Meyer, Managing Director VDL

Audit date: 22. December 2022    Audit valid until: 22. December 2025

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Telefax +49 69 380009  
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www.vdl.de



**Saigon TanTec Leather Ltd.**  
Viet Huong 2 Industrial Park, An Tay Village, Ben Cat District, Binh Duong Province, Vietnam

produces at its site in an energy-efficient process and calculates the CO<sub>2</sub> / the PCF (product mix) in accordance with the ECOL-calculation tool.

Registered audit number: 054  
Category of production: well-shed/semi-white/well-gilten to finished leather  
Type of leather: finished leather  
Audit record: ECOL, R.S.11-2023  
Auditor: DSH-Eng. Selta Knödel  
Peer Review: FILK Freiberg Institute gGmbH

*Andreas Meyer*  
Andreas Meyer, Managing Director VDL

Audit date: 14. June + 19. July 2022    Audit valid until: 14. June 2025

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## Certificate

Standard: **ISO 9001:2015**  
Certificate Registr. No. **01 100 12700102**

Organization: **ISA Heshan Trading Co., Ltd.**  
Unit 3, No.1 Xingji Road, Heshan Town, Heshan City, Guangdong Province, 529727, P. R. China

Site: **c/o Heshan Bestway Leather Product Ltd.**  
Unified Social Credit Code: 91440700570275757Q  
Registration Address: No.1 Xingji Road, Heshan City, Guangdong Province, 529727, P.R.China  
Operation Address: same as above

Scope: **Manufacturing and Sales of Leather and Leather Goods**

Validity: **Proof has been furnished by means of an audit that the requirements of ISO 9001:2015 are met.**  
The certificate is valid in conjunction with the main certificate 01 100 127001 from 2022-03-20 until 2025-03-19. It remains valid subject to satisfactory surveillance audits. This certificate information can be searched on CNCA official website <http://www.cnca.gov.cn>

2022-01-11

*Andreas Meyer*  
TÜV Rheinland Cert GmbH  
An-Graese-Str. 11/101-608

Authorized responsible office: TÜV Rheinland China Ltd., Room 301, 3F and Room 1203, 12F, Building 4, No. 15, Ringhua South Road, Beijing Economic-Technological Development Area, Beijing (China) (high-end residential area of Beijing Free Trade Zone), 100176, P. R. China

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## Certificate

Standard: **ISO 9001:2015**  
Certificate Registr. No. **01 100 12700103**

Organization: **ISA Heshan Trading Co., Ltd.**  
Unit 3, No.1 Xingji Road, Heshan Town, Heshan City, Guangdong Province, 529727, P. R. China

Site: **c/o Heshan TanteC Leather Co., Ltd.**  
Unified Social Credit Code: 914407005706744840  
Registration Address: Unit 2, No.1 Xingji Road, Heshan City, Guangdong Province, 529727, P.R.China  
Operation Address: same as above

Scope: **Manufacturing and Sales of Leather and Leather Goods**

Validity: **Proof has been furnished by means of an audit that the requirements of ISO 9001:2015 are met.**  
The certificate is valid in conjunction with the main certificate 01 100 127001 from 2022-03-20 until 2025-03-19. It remains valid subject to satisfactory surveillance audits. This certificate information can be searched on CNCA official website <http://www.cnca.gov.cn>

2022-01-11

*Andreas Meyer*  
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An-Graese-Str. 11/101-608

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## Certificate

Standard: **ISO 9001:2015**  
Certificate Registr. No. **01 100 12700101**

Organization: **ISA Heshan Trading Co., Ltd.**  
Unit 3, No.1 Xingji Road, Heshan Town, Heshan City, Guangdong Province, 529727, P. R. China

Site: **c/o ISA Heshan Trading Co., Ltd.**  
Unified Social Credit Code: 91440700571975430X  
Registration Address: Unit 3, No.1 Xingji Road, Heshan City, Guangdong Province, 529727, P. R. China  
Operation Address: same as above

Scope: **Sales of Leather and Leather Goods**

Validity: **Proof has been furnished by means of an audit that the requirements of ISO 9001:2015 are met.**  
The certificate is valid in conjunction with the main certificate 01 100 127001 from 2022-03-20 until 2025-03-19. It remains valid subject to satisfactory surveillance audits. This certificate information can be searched on CNCA official website <http://www.cnca.gov.cn>

2022-01-11

*Andreas Meyer*  
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## Certificate

Standard: **ISO 9001:2015**  
Certificate Registr. No. **01 100 12700105**

Organization: **ISA Heshan Trading Co., Ltd.**  
Unit 3, No.1 Xingji Road, Heshan Town, Heshan City, Guangdong Province, 529727, P. R. China

Site: **c/o TRANSASIA TANTEC LIMITED**  
Lot B6, 1, CA Road, Thanh Thanh Cong Industrial Park, An Hoa Quarter, An Hoa Ward, Trang Bang Town, Tay Ninh Province, Vietnam

Scope: **Manufacturing and Sales of Leather and Leather Goods**

Validity: **Proof has been furnished by means of an audit that the requirements of ISO 9001:2015 are met.**  
The certificate is valid in conjunction with the main certificate 01 100 127001 from 2022-04-02 until 2025-03-19.

2022-04-02

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## Certificate

Standard: **ISO 9001:2015**  
Certificate Registr. No. **01 100 12700104**

Organization: **ISA Heshan Trading Co., Ltd.**  
Unit 3, No.1 Xingji Road, Heshan Town, Heshan City, Guangdong Province, 529727, P. R. China

Site: **c/o SAIGON TANTEC LEATHER LIMITED**  
Lot M2 & M3, Road No. 05, Viet Huong 2 Industrial Park, An Tay Village, Ben Cat District, Binh Duong Province, Vietnam

Scope: **Manufacturing and sales of leather and Leather Goods**

Validity: **Proof has been furnished by means of an audit that the requirements of ISO 9001:2015 are met.**  
The certificate is valid in conjunction with the main certificate 01 100 127001 from 2022-03-20 until 2025-03-19.

2022-01-11

*Andreas Meyer*  
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An-Graese-Str. 11/101-608

Authorized responsible office: TÜV Rheinland China Ltd., Room 301, 3F and Room 1203, 12F, Building 4, No. 15, Ringhua South Road, Beijing Economic-Technological Development Area, Beijing (China) (high-end residential area of Beijing Free Trade Zone), 100176, P. R. China

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# Certificate

Standard **ISO 14001:2015**  
Certificate Registr. No. **01 104 12700103**

Organization: **ISA TANTEC LIMITED**  
Avenida Da Praia Grande No. 619, Edifício Commercial Si Toi, 5 Andar, Unidade 3, 4.8 & 9, 999078, em Macau

Site: **c/o Heshan Bestwey Leather Product Ltd.**  
No.1 Xingji Road, Hecheng Town, Heshan City, Guangdong Province 529727, P.R. China

Scope: **Manufacturing and sales of Leather and Leather Goods**

Validity: Proof has been furnished by means of an audit that the requirements of ISO 14001:2015 are met.  
The certificate is valid in conjunction with the main certificate 01 104 127001 from 2022-01-10 until 2025-01-09. It remains valid subject to satisfactory surveillance audits.

2022-01-10

TÜV Rheinland Cert GmbH  
An der Garten Str. 11 105 85 Berlin  
Authorized responsible office TÜV Rheinland China Ltd., Room 301, 3F and Room 1003, 10F, Building A, No. 15, Hongqiao South Road, Beijing Economic-Technological Development Area, Beijing (China) group 1100 and industrial area of Beijing Free Trade Zone, 100176, P. R. China



# Certificate

Standard **ISO 14001:2015**  
Certificate Registr. No. **01 104 12700104**

Organization: **ISA TANTEC LIMITED**  
Avenida Da Praia Grande No. 619, Edifício Commercial Si Toi, 5 Andar, Unidade 3, 4.8 & 9, 999078, em Macau

Site: **c/o Heshan Tanteec Leather Co., Ltd.**  
Unit 2, No.1 Xingji Road, Hecheng Town, Heshan City, Guangdong Province 529727, P.R. China

Scope: **Manufacturing and sales of Leather and Leather Goods**

Validity: Proof has been furnished by means of an audit that the requirements of ISO 14001:2015 are met.  
The certificate is valid in conjunction with the main certificate 01 104 127001 from 2022-01-10 until 2025-01-09. It remains valid subject to satisfactory surveillance audits.

2022-01-10

TÜV Rheinland Cert GmbH  
An der Garten Str. 11 105 85 Berlin  
Authorized responsible office TÜV Rheinland China Ltd., Room 301, 3F and Room 1003, 10F, Building A, No. 15, Hongqiao South Road, Beijing Economic-Technological Development Area, Beijing (China) group 1100 and industrial area of Beijing Free Trade Zone, 100176, P. R. China



# Certificate

Standard **ISO 14001:2015**  
Certificate Registr. No. **01 104 12700102**

Organization: **ISA TANTEC LIMITED**  
Avenida Da Praia Grande No. 619, Edifício Commercial Si Toi, 5 Andar, Unidade 3, 4.8 & 9, 999078, em Macau

Site: **c/o SA Heshan Trading Co., Ltd.**  
Unit 3, No.1 Xingji Road, Hecheng Town, Heshan City, Guangdong Province 529727, P.R. China

Scope: **Sales of Leather and Leather Goods**

Validity: Proof has been furnished by means of an audit that the requirements of ISO 14001:2015 are met.  
The certificate is valid in conjunction with the main certificate 01 104 127001 from 2022-01-10 until 2025-01-09. It remains valid subject to satisfactory surveillance audits.

2022-01-10

TÜV Rheinland Cert GmbH  
An der Garten Str. 11 105 85 Berlin  
Authorized responsible office TÜV Rheinland China Ltd., Room 301, 3F and Room 1003, 10F, Building A, No. 15, Hongqiao South Road, Beijing Economic-Technological Development Area, Beijing (China) group 1100 and industrial area of Beijing Free Trade Zone, 100176, P. R. China



# Certificate

Standard **ISO 14001:2015**  
Certificate Registr. No. **01 104 12700101**

Organization: **ISA TANTEC LIMITED**  
Avenida Da Praia Grande No. 619, Edifício Commercial Si Toi, 5 Andar, Unidade 3, 4.8 & 9, 999078, em Macau

Site: **c/o ISA TANTEC LIMITED**  
Avenida Da Praia Grande No. 619, Edifício Commercial Si Toi, 5 Andar, Unidade 3, 4.8 & 9, 999078, em Macau

Scope: **Manufacturing and Sales of Leather and Leather Goods**

Validity: Proof has been furnished by means of an audit that the requirements of ISO 14001:2015 are met.  
The certificate is valid in conjunction with the main certificate 01 104 127001 from 2022-01-10 until 2025-01-09. It remains valid subject to satisfactory surveillance audits.

2022-01-10

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An der Garten Str. 11 105 85 Berlin  
Authorized responsible office TÜV Rheinland China Ltd., Room 301, 3F and Room 1003, 10F, Building A, No. 15, Hongqiao South Road, Beijing Economic-Technological Development Area, Beijing (China) group 1100 and industrial area of Beijing Free Trade Zone, 100176, P. R. China



# Certificate

Standard **ISO 14001:2015**  
Certificate Registr. No. **01 104 12700106**

Organization: **ISA TANTEC LIMITED**  
Avenida Da Praia Grande No. 619, Edifício Commercial Si Toi, 5 Andar, Unidade 3, 4.8 & 9, 999078, em Macau

Site: **c/o SAGON TANTEC LEATHER LIMITED**  
Lot 82, 83, Road No. 05, Viet Hoang 2 Industrial Park, An Hai Village, Ben Cat Town, Binh Duong Province 72000, Vietnam

Scope: **Manufacturing and sales of Leather and Leather Goods**

Validity: Proof has been furnished by means of an audit that the requirements of ISO 14001:2015 are met.  
The certificate is valid in conjunction with the main certificate 01 104 127001 from 2022-01-10 until 2025-01-09.

2022-01-10

TÜV Rheinland Cert GmbH  
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Authorized responsible office TÜV Rheinland China Ltd., Room 301, 3F and Room 1003, 10F, Building A, No. 15, Hongqiao South Road, Beijing Economic-Technological Development Area, Beijing (China) group 1100 and industrial area of Beijing Free Trade Zone, 100176, P. R. China



# Certificate

Standard **ISO 14001:2015**  
Certificate Registr. No. **01 104 12700108**

Organization: **ISA TANTEC LIMITED**  
Avenida Da Praia Grande No. 619, Edifício Commercial Si Toi, 5 Andar, Unidade 3, 4.8 & 9, 999078, em Macau

Site: **c/o TRANSGALA TANTEC LIMITED**  
Lot 06, 1, Ca Road, Triang Thuan Cong Industrial Park, An Hai Quarter, An Hoa Ward, Trang Bang Town, Tay Ninh Province, Vietnam

Scope: **Manufacturing and Sales of Leathers and Leather Goods**

Validity: Proof has been furnished by means of an audit that the requirements of ISO 14001:2015 are met.  
The certificate is valid in conjunction with the main certificate 01 104 127001 from 2022-04-02 until 2025-01-09.

2022-04-02

TÜV Rheinland Cert GmbH  
An der Garten Str. 11 105 85 Berlin  
Authorized responsible office TÜV Rheinland China Ltd., Room 301, 3F and Room 1003, 10F, Building A, No. 15, Hongqiao South Road, Beijing Economic-Technological Development Area, Beijing (China) group 1100 and industrial area of Beijing Free Trade Zone, 100176, P. R. China





# Tanneries of ISA

GRI 2-6



## **Heshan TanTec Leather Co., Ltd. (HTL)**

### **Heshan Bestway Leather Product Ltd. (HSBWL)**

- Production started in March 2012
- The monthly production capacity is 6 million square feet for HSBWL from wet-blue to crust and 2 million square feet for HTL from crust to finished leather\*
- HSBWL is processing crust for footwear and automotive leather. The automotive crust is processed for an external customer. The crust for footwear and leather goods will be finished in HTL
- HSBWL and HTL are located in the same building and in the shoe leather process there is one consistent workflow
- HSBWL and HTL sit on approximately 58,000 square meters of land (approximately 25,000 square meters for production)
- Approximately 580 employees for both entities\*

\*Data as of December 2022



## **Saigon TanTec Leather Ltd. (STL)**

- Production started in January 2010
- The monthly production capacity is 6 million square feet\*
- STL is producing from wet-blue to finished leather for mainly footwear brands
- STL sits on approximately 44,000 square meters of land (approximately 15,000 square meters for production)
- Approximately 600 employees\*

\*Data as of December 2022

## Tanneries of ISA

GRI 2-6



### Mississippi TanTec Leather, Inc (MTL)

- Production started in January 2015
- The monthly production capacity is 1 million square feet\*
- MTL is producing wet-blue to finished leather for footwear brands, whereas the majority of articles are for the domestic military market
- MTL sits on approximately 210,000 square meters of land (approximately 10,000 square meters for production)
- Approximately 40 employees\*

\*Data as of December 2022



### TransAsia TanTec Ltd. (TTL)

- Production started in March 2020
- The current monthly production capacity is 3 million square feet at the current ramp-up stage and will reach a designed capacity of 10 million square feet per month over the next years\*
- TTL is producing wet-blue to finished leather mainly for footwear brands and owns the COSM™ production for additional materials to leather
- TTL sits on approximately 61,000 square meters of land (approximately 24,000 square meters for production)
- Approximately 250 employees\*

\*Data as of December 2022

## Our Customers

GRI 2-6

Our multiple production locations are strategically located to be close to our customers' factories. We work with many of the world's best brands. For details, please refer to our website: <https://isanextgenmaterials.com>

## Vision & Mission

### Our Vision

To be the world's most sustainable Next-Gen Material manufacturer, driven by our commitment to superior products and services while ensuring the lowest environmental footprint in our supply chain.

### Our Mission

Being a global leader in the manufacturing of Next-Gen materials, sustainability is the core of our business. We continuously commit to building a sustainable relationship with our stakeholders.

# SPECIAL TOPIC: FIGHT AGAINST COVID-19

3 GOOD HEALTH  
AND WELL-BEING



Responded topics  
of SDGs

Responded topics of GRI  
403-3

## Preventions and Controls during The Post-pandemic of COVID-19

In 2022, we faced the pandemic outbreak in China and quickly resumed the operation of our China facility. Since then, we continuously update our internal Contingency Response Plan with dynamic measure practice adjustments by keep allocating adequate resources to sustain the strict implementation of preventions and controls during the post-pandemic of COVID-19, according to the dynamic changeable governmental control policies, surrounding six key aspects at all facilities that we are operating.



In addition to the above six key aspects, our China facility also volunteered to be a Nucleic Acid Test (NAT) venue to support local government for the mass NAT testing. The venue served over 25,000 people, with a total volunteering hours of 700.

Having an organized contingency plan in place, followed by the timely implementation of specific control measures, we continue to maintain a sound control at the Post-pandemic period during 2021 and 2022. Our comprehensive preventions and control policy provided us with a solid foundation for normalising our facilities operations, while minimizing the impacts from COVID-19. All these efforts have been highly recognized by our stakeholders especially our customers, local government and employees.

On top of that, we have been keeping close communications with local medical institutions and local governments on the COVID-19 vaccination plan and offered vaccination arrangements for our employees to safeguard them further:

By January 2022, over 95% employees in China have completed full dosage of vaccines and a booster shot.

Since December 2022, the 2nd booster vaccination program has been available in China. We will continue to encourage our employees for the booster shots.

Meanwhile, similar prevention and control measures were also in place in our Vietnam facilities.



Employees in Vietnam were being vaccinated



## Post-Covid Era

In December 2022, China's management of COVID-19 was downgraded to the less strict Category B from the top-level Category A. It was announced by the government in China the wide-ranging relaxation to the "Dynamic Zero Covid" strategy. People who tested positive were not required to quarantine nor undergo PCR testings. However, strict requirements on inbound travelers had remained in place at that time. Following the countries' pace to move toward treating Covid as endemic, our China facilities resumed normal operations and productions.

Although the three pandemic years is considered a dark period for our group, it brought together all the teams in unprecedented solidarity and empowered the group with more capability to encounter difficulties and challenges during the difficult period.

# CSR GOVERNANCE

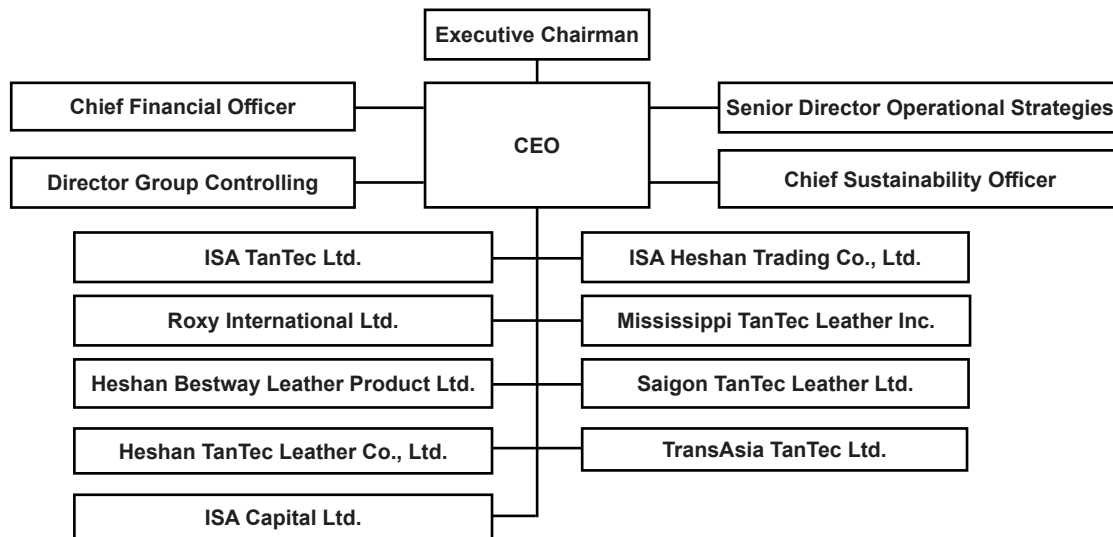


Responded topics of SDGs

Responded topics of GRI 2-9, 2-11, 2-26, 205-2, 205-3

## Management Governance Framework

GRI 2-9, 2-11



# Rules and Regulations of ISA Group

Key policies and regulations are below:

Topics	Regulations
<b>Fight against COVID-19</b>	<ul style="list-style-type: none"> <li>• Response and Prevention and Control Requirements for COVID-19 and Other Public Health Emergencies</li> </ul>
<b>CSR Governance</b>	<ul style="list-style-type: none"> <li>• ISA Group Code of Conduct</li> </ul>
<b>Product Responsibility</b>	<ul style="list-style-type: none"> <li>• WB Sorting Standard</li> <li>• Deviation Sheet Retanning Formula</li> <li>• Retanning Master File</li> <li>• Worksheet Deviation</li> <li>• Chemical Management Policy</li> <li>• ISA Restricted Substances List for Finished Products</li> <li>• WB-WW Restricted Substances Specification</li> <li>• VF CHEM-IQ Program</li> </ul>
<b>Occupational Health and Safety (OHS)</b>	<ul style="list-style-type: none"> <li>• Chemical Classification</li> <li>• SDSs (Safety Data Sheets) for All Chemicals Onsite</li> <li>• ISA Group Code of Conduct- Chapter 2</li> <li>• Security Guideline</li> <li>• Accident Contingency Plan of Work Safety</li> <li>• PPE Management Procedure</li> <li>• Regulation on Fire Fighting Management</li> <li>• Accident and Near Miss Reporting and Management</li> <li>• Supervise and Management Rules of Production Safety</li> <li>• Regulation on Production Safety</li> <li>• Medical Contingency Management Rules</li> <li>• Management Rules of Firefighting Boost Pump Room</li> <li>• Booster Pump Safe Operation Procedure</li> <li>• Occupational Disease Protective Facilities Three Simultaneous Management Rules</li> <li>• Occupational Hazards Monitoring Rules</li> <li>• Occupational Health Reporting Rules</li> <li>• Occupational Health Warning and Signing Rules</li> <li>• Occupational Health Education and Training Rules</li> <li>• Occupational Disease Protective Facilities Maintenance and Repair Rules</li> <li>• Occupational Health Surveillance and Filing Rules</li> <li>• Occupational Disease Accident Handling and Reporting Rules</li> <li>• Position Operation Procedure of Occupational Health</li> <li>• Confined Space Operation Management Rules</li> <li>• Lock-out Tag-out (LOTO) Management Rules</li> </ul>

# Rules and Regulations of ISA Group

Key policies and regulations are below:

Topics	Regulations
<b>Employment and Human Rights</b>	<ul style="list-style-type: none"><li>• Training Plan</li><li>• Suggestions and Complaint Form</li><li>• Recruitment Procedure</li><li>• The Procedure of Protecting Non-adult Employees</li><li>• Child and Juvenile Procedure</li><li>• Suggestion and Complaint Management Procedure</li><li>• Grievance Procedure</li><li>• Prohibiting Forced Labor Policies and Procedures</li><li>• Protecting Employees from Retaliation Procedures</li><li>• Anti-harassment Management Procedure</li><li>• ID Card Verification Procedure</li><li>• Job Application Document Verification Procedure</li><li>• Child Labor Verification and Salvation Procedure</li><li>• Training Control Procedure</li><li>• Anti-discrimination Management Procedure</li><li>• Non-discrimination Policy (policy of STL)</li><li>• Procedures of Protecting Female Employees</li></ul>
<b>Supply Chain with CSR</b>	<ul style="list-style-type: none"><li>• ISA Restricted Substances List (RSL) and Manufacturing Restricted Substance List (MRSL) for Chemical Suppliers</li><li>• Collection of All SDSs (Safety Data Sheets) for All Chemicals</li><li>• List of Overseas Purchase Suppliers for Declaration of Compliance</li><li>• Greener Pastures™ Handout</li><li>• Greener Pastures™ Customer Presentation</li><li>• Wet Blue Supplier Traceability</li><li>• Formal Annex Greener Pastures™ Traceability Flow Chart</li><li>• New Supplier Evaluation Form</li><li>• Yearly Comprehensive Suppliers Evaluation List</li><li>• Local Supplier Management Procedure</li><li>• Local Purchase Workflow</li></ul>
<b>Environmental Protection</b>	<ul style="list-style-type: none"><li>• We will issue the sustainability report to disclose environmental data and strategies shortly</li></ul>

## Executive Management by Experienced Professionals

### GRI 2-9

We are committed to adopting best practices in corporate governance to ensure that it is well-managed in the interest of its key stakeholders while attaining long term sustainable growth.

The board of management is the highest governing body in the Group and is responsible for overseeing the corporate governance management. The board of management comprises members with a diverse and balanced set of skills, experiences and perspectives. Please refer to our website for more information:

<https://isanextgenmaterials.com/isanextgenmaterials/about-us/company-info>

## Anti-Bribery and Corruption

### GRI 2-26, 205-2, 205-3

Our group operates in a wide range of legal, regulatory and business environments, many of which may challenge our business operation ability to meet ethical requirements and integrity. We strive to fulfill and satisfy ourselves according to the latest highest standards of business ethics and integrity. Throughout our operations, we seek to prevent and avoid the occurrence of any improper business practices and conduct of our directors, officers, managers, employees, agents and other third-party representatives.

This Anti-Bribery and Corruption Policy reiterates our commitment to ethical compliance and integrity. It explains the specific requirements and prohibitions applicable to our operations under anti-bribery and corruption laws in the countries and regions where we operate, including but not limited to the Law on the Prevention and Suppression of Bribery and Corruption in the Private Sector (PSBCPS) of Macau. The Anti-Bribery and Corruption Policy also considers the compliance standards of Navis Capital and its limited partners' compliance policies.

We have established ISA Compliance Policy and the ISA Group Code of Conduct, which have included the Anti-Bribery and Corruption Guide and E-Learning Guide with specific themes of Anti-Bribery and Corruption compulsory to every director, officer, manager, employee and where appropriate third party and agent. We have maintained proper documentation of the Policy and the Code of Conduct.

The Group's Anti-Bribery and Corruption Policy, Compliance Policy and Code of Conduct have been well communicated to all of our senior management and employees via the Company Handbook.

We follow a Grievance Procedure\*, according to which our Ethics and Compliance Committee (ECC) will conduct investigations of reported matters and, if applicable, take proper and necessary follow-up actions, which may include reporting the matter to Board of Directors and/or to appropriate governmental/regulatory bodies. There were no incidents of corruption occurred during the Reporting Period.

\*The Grievance Procedure stipulates that employees and relevant third parties such as customers and suppliers who have business dealings with our group may, anonymously or with confidentiality, report any misconduct, fraud, unlawful act and violation of our group's financial reporting standards, internal control requirements and/or any other non-compliance matters.



# Tax Compliance

**We are committed to full compliance with each jurisdiction's applicable tax laws and regulations and treat them as a crucial element of our corporate social responsibilities.**

**Compliance with tax laws and regulations plays an essential compliance role in the countries and regions in which our group operates and contributes to our sustainable development and corporate value enhancement. Recognizing that tax-related risk is a crucial element among the many business risks, we address tax-related risks following our risk management principles.**

## Transfer Pricing

All intercompany transactions within our group are conducted at an arm's length basis as described in the OECD Transfer Pricing Guidelines and are consistent with local laws and regulations. We engage one of the international big four accounting firms to assess and review the policies and methodologies for transfer pricing implemented within our group.

## Level of Tax Risk Accepted

We seek advice from the international big four accounting firms to address various issues such as tax audits, tax health checks, transfer pricing, withholding tax, employee's individual income tax and tax planning. Such advice can continually help our group to comply with accounting and tax laws as a result of ongoing and latest complex regulatory development.

## Approach to Dealing with Tax Authorities - Trust and Transparency

We strive to act in good faith and maintain an open, transparent, constructive and cooperative relationship with related tax authorities. We also aim to achieve a robust and predictable tax position through the approach described above to ensure full compliance with the latest tax laws and regulations.

We demonstrate to commit our legal and compliance obligations to transparency by disclosing information required under applicable laws and regulations upon request of tax authorities. During the reporting period, there was no tax controversy between our group and tax authorities.

## Awards



## Anti-Money Laundering

Our group will never deal with any individual, party or organization suspected of being involved in any money laundering activity. We have established a series of due diligence policies and procedures (e.g., Know Your Customer Procedures in Appendix 5 of the ISA Group Code of Conduct). All employees are responsible for protecting our group from exploitation by money launderers by following the due diligence policies and procedures as mentioned above. During the past and current reporting periods, no allegation or lawsuit has been brought against any of our group entities for any commercial bribery, corruption, blackmailing, fraud or money laundering.

# Sanctions

**Sanctions restrict doing business in certain countries, with certain people and companies, and in relation to certain products and services. Breaching sanctions may result in penalties including significant fines for companies and imprisonment for individuals.**

**We are committed to full compliance with international sanctions, all export and import controls which are crucial to protect the integrity of our business. Any of our new customer, supplier, third-party or agent must be put through our four-step Sanction Screening process found in ISA Code of Conduct – Appendix 6, as outlined below.**

## Step 1: Due diligence

We conduct due diligence as reasonably necessary to understand who our customer/supplier/third-party is, and who owns and controls them to the best of our knowledge available. Knowing about any relevant third-parties, such as the end-user of products, could also help us to understand the case.

## Step 3: Check relevant country guidance

If the transaction/business activity has links to a sanctioned country, then we will check the relevant country guidance from our key investor's sanctions guide - the Navis Sanctions Guide.

## Step 2: Screening

Check the relevant parties against the various international sanction lists including but not limited to that of UN Security Council, US and UK. The relevant parties subject to screening include new customers, suppliers or third-parties (and their beneficial owners, controllers and principals).

## Step 4: Seek legal advice

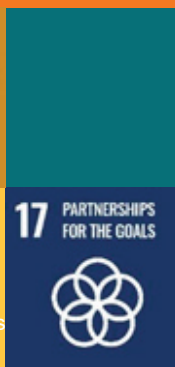
If there is any doubt as to whether sanctions are applicable to the transactions/business activity, further advice will be sought from our Ethics & Compliance Committee which will then confirm with the legal team of our key investor – Navis Capital.

# PRODUCT RESPONSIBILITY

Responded Topics of GRI  
416-1, 416-2, 418-1



Responded topics  
of SDGs



## Sustainable Operational Management (SOM) Strategy

We attribute the excellence of our operations to the relentless pursuit of innovation in Next-Gen Material manufacturing management, material research and development, customer satisfaction and treatment of employees according to their job abilities, fitness conditions and positions.

As a world-leading sustainable material manufacturer in a fast-changing market, we confront from time to time different operational challenges.

We have developed a manufacturing management system by integrating technologies in the chemical management system, traceability system, etc.

With environmental sustainability and occupational safety as our top priority, we continuously upgrade our machinery and equipment based on BAT to ensure the operation safety of all facilities and the lowest impact on the environment. Below are some examples:



### Water mixer system upgrade

Shortening recirculation cycles of conventional mixing systems, resulting in water and energy savings



### PHK toggling machine upgrade

Drying without using high temperature, running with low energy consumption



### Thema dry tunnel upgrade

Easy for operation and handling by operators, minimizing energy consumption at a lower drying temperature (40-50 °C)



### 600 m<sup>2</sup> Solar panel heater on the roof for hot water

Generating approximately 797,097 kWh of heat energy in 2022 to lower carbon footprints



### Windmill

Windmill to generate power for water pumps and road lights

In 2022, we continued to invest on our machinery and equipment:



### Formic acid automatic supply system

Avoiding safety hazard caused by manual feeding and improving the accuracy of dosage



### High efficiency natural gas burner for hot water boiler

Reducing natural gas consumption and thus the greenhouse gas (GHG) emissions



### Auto-stop infrared guarding on drums

Prevention of improper entry to ensure safety



### Air Emission treatment system

Helping to control air pollution



### Noise cover for the stacking machine

Reducing noise hazard in workplace



### Photovoltaic Solar System in STL

With a capacity of 1,480 KWP, 345.89 tons of standard coal was saved and 410.74 tons of CO2 was avoided



**FY 2023 Target:** Focus on the sustainable upgrade of machinery to advance the clean energy structure of our group

**Key Initiatives:** Continue to install a photovoltaic power generator and reduce the use of traditional energy



# Chemical Management

GRI 416-1

The Chemical Management Policy reiterates our commitment with respect to chemicals. It explains specific requirements applicable to the operations under applicable laws and regulations of the countries we operate in and the leather industry's BAT. All our employees shall follow such requirements that provide guides in selecting suppliers and chemicals, ensuring the Manufacturing Restricted Substances List (MRSL) and Restricted Substances List (RSL) in compliance, guaranteeing chemical safety and reducing negative environmental impacts.

## Chemical Management System

We have established a chemical management system for the whole production chain with the purpose of:

- avoiding all restricted substances in our leather and leather products to protect our employees, customers and consumers
- avoiding the use of harmful chemicals in the manufacturing process to reduce the risk of employees' exposure to chemicals
- avoiding any hazardous and restricted substances in the wastewater
- preparing chemicals based upon specified formulations and "doing it right the first time" to avoid chemical waste
- making careful chemical purchase decisions based on customer forecasts to avoid overstocking/understocking

Department	Responsibilities	Relevant Documents
<b>Purchase Department/ QA Department</b>	<b>Supplier Management, Chemical Purchasing, Transformation and Production Safety</b>	<ul style="list-style-type: none"> <li>• Supplier Management Procedure</li> <li>• Restricted Substances List (RSL)</li> <li>• Manufacturing Restricted Substances List (MRSL)</li> </ul>
<b>Chemical Warehouse</b>	<b>Chemical Storage</b>	<ul style="list-style-type: none"> <li>• Chemical Warehouse Work Instruction</li> <li>• Hazardous Chemical Management</li> <li>• Class A Chemical Warehouse Regulations</li> <li>• Underground Storage Tank of Sulfuric Acid &amp; Hydrogen Peroxide Regulation</li> <li>• Precursor &amp; Explosive Prone Chemical Safety Regulation</li> </ul>
<b>Environment Department</b>	<b>Chemical Disposal</b>	<ul style="list-style-type: none"> <li>• Assessment Procedure of Environmental Aspect and Impact</li> </ul>
<b>Health &amp; Safety (HS) Department</b>	<b>Chemical Safety</b>	<ul style="list-style-type: none"> <li>• Control Procedures in Laws and Regulations and Other Requirements</li> <li>• Supervise and Management Rules of Production Safety</li> <li>• The Contingency Plan of Chemical Spill and Safety Operation Procedures (SOPs)</li> </ul>
<b>Technical, Production, Environment, Engineering and Lab</b>	<b>Chemical Consumption</b>	<ul style="list-style-type: none"> <li>• Chemical Container Cleaning Process</li> </ul>

## Chemical Safety Measures

We provide services and products that tally with the concept of customers and ensure environmental compliance for the protection of human health. We strictly follow the policies and regulations on global chemistry management and incorporate a series of chemistry management mechanisms:

Processes	Measures
<b>Chemical Storage</b>	<ul style="list-style-type: none"> <li>• Create the unloading procedure for the tank car</li> <li>• A brand new Class C chemical warehouse being built for compliance with government regulations</li> <li>• Establish an internal management system of warehouse-in and warehouse-out and specifically the flow of hazardous chemicals into and out of the warehouse</li> </ul>
	<ul style="list-style-type: none"> <li>• Store chemicals by warehouse, category and area. Also strictly control the stocks of hazardous chemicals and the temperature/humidity of storerooms</li> <li>• ISA Group Code of Conduct</li> <li>• Dedicated staff is responsible for managing storerooms and conducting safety hazard inspections from time to time</li> <li>• Deviation Sheet Retanning Formula</li> </ul>
	<ul style="list-style-type: none"> <li>• Follow chemical-related regulations (product safety legislations) and strictly comply with customer requirements</li> </ul>
	<ul style="list-style-type: none"> <li>• Worksheet Deviation</li> <li>• Collect and review Manufacturing Restricted Substances List (MRSL)/Restricted Substances List (RSL) requirements of all global brands and set goals for our group to meet the most demanding limits and expectations</li> <li>• ISA Restricted Substance List (RSL) for Finished Products</li> </ul>
	<ul style="list-style-type: none"> <li>• Waste chemicals must be transferred and disposed of by qualified hazardous waste disposal organizations</li> </ul>
<b>Chemical Disposal</b>	

We rigorously follow the First In, First Out (FIFO) principles to ensure that all chemicals are within their shelf life.

We have established the Chemical Safety Management System with reference to the Chemical Inventory Report and Chemical Classification. We keep a daily list of chemicals with up-to-date stock against the safe stock to maintain storage safety.

We classify the chemicals based on different categories of risks:

- Flammable
- Oxidizing
- Corrosive
- Health risk
- Environmental risk
- Toxic

We have clear hazard labeling, precautionary statement and storage condition requirements in place on the chemical barrels. This basic information is also clearly marked on the Chemical Inventory as an easy guidance for on-site operators to react to emergencies responsively in case any chemical accident occurs.



## Restricted Substances Management

Our Quality Assurance Department (QA) is responsible for identifying and monitoring chemical restriction related regulations (product safety legislations) based on international and industrial standards, including:

- developing the ISA Restricted Substances List (RSL) and Manufacturing Restricted Substances List (MRSL) based on the requirements of customers and regulations
- applying the above lists to our products and supply chain
- setting the strictest parameters for our internal RSL, ensuring the fulfillment of the requirements of both customers' updated RSLs and the latest regulations

Our group's Purchasing Department has established the Supplier Management Procedure and Purchasing Workflow to ensure our suppliers fully comply with the requirements for restricted substances. In this regard, we have identified chemicals in the RSL for suppliers. We require all chemical suppliers to sign a Certificate of Compliance to conform to the limits of substances listed in the Restricted Substances Specification.

## Hazardous Chemical Management

In our tanneries, we have identified inherent hazards of chemicals and exposure risks. Necessary engineering controls have been in place before the purchase of hazardous chemicals.

Employees using chemicals are required to be trained and examined before starting work with us. When engineering controls are not adequate for handling hazards, proper PPE shall be provided to employees exposed to the chemicals. Detailed guidance or requirements are as follows:

- Chemical Warehouse Work Instruction
- Supervision and Management Rules of Production Safety
- Contingency Plan for Hazardous Chemical Spill
- Restricted Substance Control Procedure
- Prevention and Control Procedure of Water Pollution
- Safety Operation Procedures (SOPs)
- Training Control Procedure



In our China facility, we store hazardous chemicals separately at the Class A warehouse, which was built in line with the Code for Fire Protection Design of Building, aiming to guarantee the safety of the chemicals



Brand new Class C chemical warehouse



In our China facility, the warehouse was divided into four separate areas to fulfill different chemical storage requirements



In our China facility, we installed a fence to prevent unauthorized outsiders from entering the Hazardous Chemical Warehouse

## Participation in Zero Discharge of Hazardous Chemicals (ZDHC)

Together with leading brands, value chain affiliates and associate contributors of the Zero Discharge of Hazardous Chemicals (ZDHC) Program, we are committed to achieving zero discharge of hazardous chemicals in the textile, leather and footwear value chain.

We conduct ongoing control of restricted substances (MRSL, RSL) and wastewater testing based on the wastewater guidance of the leather industry on ZDHC.



# Customer Privacy

GRI 418-1

Customer privacy has always been strictly observed by our group. There has been increasing public concern about data protection and privacy. Following the ISA Group Code of Conduct, we are committed to respecting people's privacy and confidentiality of personal information. All sensitive personal data and information we have obtained and gain accessed to are kept strictly confidential.

The management structure of our group to manage customer privacy includes the following:

- (a) The Customer Service Department and the Sales Department jointly engage in protecting customers' privacy; and
- (b) The general information technology infrastructure is established to commit to ensuring and protecting data and information security technologically

## Customer Privacy Policies

The Customer Privacy Protection Policy elaborates our commitment to data and information protection and security. It explains the specific requirements and prohibitions applicable to our operations under related privacy protection laws and regulations, including but not limited to the General Data Protection Regulation (GDPR).

We keep and preserve all records and information under local rules and regulations as well as the code of conduct by technical methods. We will take adequate steps to comply with our legal obligations and relevant laws and regulations if any third-party requests for customers' private data and information.

## Privacy Breaches

We are proud to report that the Group has not received complaints concerning breaches of customer privacy during the Reporting Period. No incident of identified leak, theft, or loss of customer data and information has happened. This good track record applies to our entire group. We will maintain this track record and will continuously revise, enhance and implement more customer privacy policies in an effort to provide even more professional and reassuring services.



# Customer Health and Safety

GRI 416-2

The Group has not identified any non-compliance concerning the health and safety impacts of products and services during the Reporting Period.

# OCCUPATIONAL HEALTH AND SAFETY (OHS)

Responded topics of GRI 403-1, 403-2, 403-5, 404-2



3 GOOD HEALTH AND WELL-BEING



6 CLEAN WATER AND SANITATION



Responded topics of SDGs

## Introduction to Occupational Health and Safety (OHS) Management System

We are committed to providing employees with a healthy and safe working environment. Our Health and Safety Department (HS) at each site is dedicated to dealing with related compliance issues with local authorities on the work safety, fire safety and occupational health (WSFSOH) of each facility. A formal OHS Committee comprising multilevel managers was established at each facility, directly reporting to the senior management led by the Chief Executive Officer.

Primary duties of HS:

- Deal with WSFSOH topics to fulfill legal compliance, including contractor safety
- Implement the WSFSOH management system in all departments to carry out the internal system such as Safety Operation Procedures (SOPs)
- Set up emergency plans for regular drills and actual accident contingency responses
- Organize OHS trainings and regular meetings
- Perform in compliance audits internally and externally with CAPs (Corrective Action Plan) for improvements

With continuous improvements by “P-D-C-A” cycle, We have established the OHS Management System and other operational guidelines to avoid injuries and accidents and maintain a safe and healthy workplace for employees.

GRI 403-1, 403-2

## **Overview of primary documentations on the OHS Management**

- Control Procedure of Laws and Regulations and Other Requirements
- Compliance Assessment Procedure
- Regulation on Production Safety
- Supervision and Management Rules of Production Safety
- Confined Space Operation Management Rules
- Personal Protective Equipment Management Procedure
- Accident Contingency Plan of Work Safety
- Medical Contingency Management Rules
- Accident and Near Miss Reporting and Management
- Regulation on Fire Fighting Management
- Lock-out Tag-out (LOTO) Management Rules
- Occupational Hazards Monitoring Rules
- Occupational Health Reporting Rules
- Occupational Health Surveillance and Filing Rules

Each OHS management procedure or workflow has been developed based on relevant local laws, regulations, as well as expectations from stakeholders. The OHS system covers firefighting, operating and manufacturing workflows, occupational hazards and occupational health, divisions' internal risk assessment procedure and engineering control measures. Each department implements a control mechanism to eliminate hazards by risk mitigation and accident prevention. Field employees are required to inform their department managers about possible risks and report them to the HS department or the OHS committee. All workers have the right to refuse or stop unsafe or unhealthy work and are protected against reprisals. If any work-related injury occurs, employees shall follow the medical emergency rescue procedures and approach the HS department for first aid.

**FY 2023 Target**

**Key Initiatives**

**Increase awareness on positions that require intensive manpower and with possible exposures to OHS hazards**

**Introduce applicable automated processes and monitor OHS hazards through necessary control measures**

# Chemical Safety of Employees

GRI 403-2, 403-5

Chemicals are often used and handled in different steps of the production processes and waste water treatment plant (WWTP). If employees are not aware of the possible harm arising from their exposures to different chemical substances under work conditions, hazards may occur and cause accidents in the workplace. We established internal management systems to evaluate potential work-related hazards and have in place some safety procedures and risk control measures including training and drills.

Our group also assesses chemical hazards and provides sufficient Personal Protective Equipment (PPE) to protect our employees against the hazards of chemical operation. Our line managers always ensure that the production workers are properly following the PPE procedures at work.

To ensure our chemical safety management is effectively implemented at the workplace, our site inspectors carry out daily chemical safety inspection to identify the potential hazards and assess the risks arising from the production process so that necessary adjustments can be made in time.

With an appropriate level of supervision on employees, we ensure that all the safety requirements are being well complied with. Employees with adequate training are able to acquire the necessary knowledge and skills to work safely and healthily. We implement the following measures to maintain a high standard of chemical safety:

- Compulsory training for employee whose positions require exposure to chemicals
- Making chemical safety as part of the onboard training for new employees while maintaining regular training for existing employees in chemical positions
- Educating employees on chemical hazards, emergency operations and chemical regulations
- Conducting chemical drills to enhance employees' emergency capabilities

We conduct chemical drills regularly for employees to familiarize themselves with emergencies. In 2022, HSBWL, HTL and STL conducted 27 chemical drills in different production processes and locations. Through continuous practices, we assess the effectiveness of our chemical safety contingency plans and issue reports to make further improvements.

During 2022, with an effective safety management system, our group recorded only 1 slight chemical related injury (formic acid with slight burning) in HSBWL and HTL, 2 chemical leakage accidents (one in WWTP WH and one in Chemical WH) in STL.

Our injury reports record all the work-related accidents in details, including the course, analysis of causes, corrective and preventive measures, handling opinion and completion status etc., in order to identify and assess risks relating to the incidents and prevent similar cases occurring.

## FY 2023 Target

To provide a general picture of chemical safety to all employees

Enhance the ability to respond to an emergency

## Key Initiatives

Strengthen the assessment in chemical safety training

Increase the frequency and locations for chemical safety drills





A new formic acid automatic supply system for risk mitigation on safety hazard and chemical injury in China facility



H<sub>2</sub>SO<sub>4</sub> leakage practice in China facility



Chemical spill drills in Vietnam facility



# Occupational Health Monitoring of Employees

In conformity with the local occupational disease control and prevention law and in line with the relevant technical standards and specifications of the Occupational Health Monitoring of China and Vietnam, we continue to carry out the Occupational Hazard Monitoring of all work place and the Occupational Health Monitoring on our employees to prevent, control and eliminate occupational hazards:

- To arrange ongoing health checks for employees who are exposed or potentially exposed to occupational hazards
- To organize occupational disease prevention education and training courses for all functional departments
- To perform regular hazard monitoring and assessments in the workplace
- To encourage proper utilization of PPE within the facilities to avoid occupational accidents and prevent occupational diseases

In compliance with the occupational safety regulations, we follow a strict set of workplace requirements to safeguard the health and safety of all employees.

## Annual Key Performance of Occupational Health Management

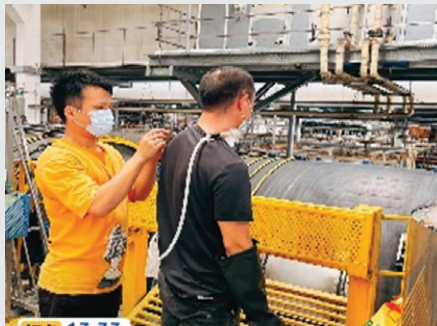
- No employees suffer from occupational diseases
- Full compliance with the legal requirements of occupational hazard monitoring in the workplace
- Physical examinations with good results for positions with potential occupational hazards
- Special work positions are all certified



OHPE & Workplace Hazard Monitoring in Vietnam facility



OHPE & Workplace Hazard Monitoring in China facility





# Contingency Preparedness and Response (Including OHS Training)

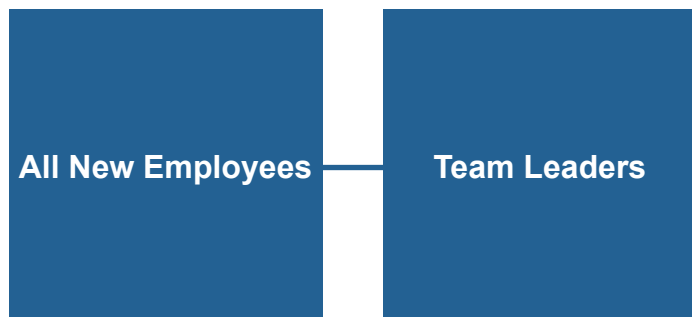
GRI 403-5, 404-2

We emphasize occupational safety and keep updating our contingency measures based on latest laws and regulations.

## **The principal internal management regulations are as follows:**

- Security Guideline
- Accident and Near Miss Reporting and Management
- Accident Contingency Plan for Work Safety
- Medical Contingency Management Rule
- PPE Management Procedure
- Regulation on Fire Fighting Management
- Management Rules of Fire Fighting Booster Pump Room
- Booster Pump Safe Operation Procedure

## General OHS Training



Three levels of safety education

Education on fundamental occupational health, covering national safety laws and regulations

Safety awareness, safe operations and emergency procedures

Safety management knowledge learning

We have been continuously instilled awareness and knowledge of OHS in our employees and conduct exercises and assessments. HSBWL, HTL, STL and TTL provided training courses in different aspects, including safety, firefighting and first aid, with a total of 25,471 training hours (drill training: 5,915 hours). In 2022, we also adopted a configuration Cardiopulmonary Resuscitation (CPR) simulated practice model and provided regular CPR training for employees which effectively improved their practical skills.

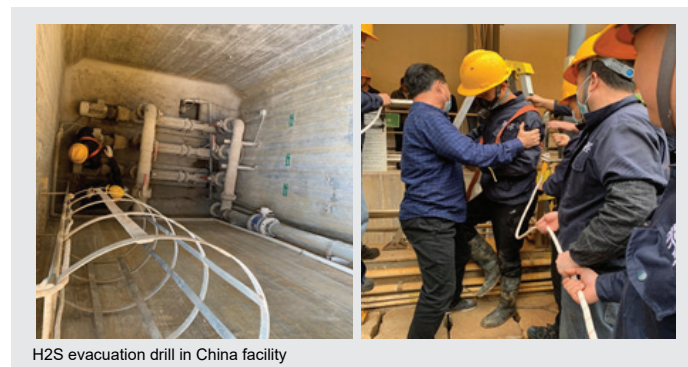


Chemical spillage in China and Vietnam facilities

## Production Safety Drill

Regular drills at the workplace are indispensable for protecting employees from emergencies and accidents. In 2022, our group has continuously organized a wide range of production safety and emergency drills, for example:

- Forklift truck accident
- Mechanical accident
- Chemical leakage emergency
- Special emergency of electric shock accident
- Heatstroke
- High fall injury
- Contingency handling of hydrogen sulfide (H<sub>2</sub>S) poisoning accident in confined space
- On-site emergency on road vehicle injury in the factory



H<sub>2</sub>S evacuation drill in China facility



Evacuation drill & CPR training in China facility



Work safety, fire safety and occupational health (WSFSOH) trainings in Vietnam facilities



## Fire Safety Drill

Fire drills contribute to reducing fire accidents, promptly putting off primary fires to prevent spreading and avoid serious consequences. We carry out various fire emergency evacuation drills such as flammable chemical warehouse drills, buffering room drills, boiler and evacuation drills, natural gas leakage drills and dormitory fire escape drills.



Fire drills in China facility



Fire drills in Vietnam facilities

## Contingency Response Training

We formulate contingency plans concerning work safety accidents, fire accidents, occupational diseases and occupational health hazards. The training plans take place regularly, including but not limited to Common Skills in Emergency and Prevention of Common Blood Pathogenic Diseases.

The training plan is highly specialized that it rapidly deploys our onsite personnel to react to emergency responsively, which helps minimizing losses caused by accidents.

In 2022, HSBWL, HTL, STL and TTL conducted a total of 55 different drills.



Evacuation drill practice in China facility



Fall down emergency handling practice in Vietnam facilities



Additionally, in 2022, we conducted safety test on all employees and carried out regular drills in our China facility. We also held a skill competition to increase safety awareness in the work place.



# EMPLOYMENT AND HUMAN RIGHTS

Responded topics of GRI  
2-7, 2-30, 401-2, 404-1,  
404-2, 406-1, 407-1,  
408-1, 409-1



<b>3</b> GOOD HEALTH AND WELL-BEING 	<b>10</b> REDUCED INEQUALITIES 	<b>8</b> DECENT WORK AND ECONOMIC GROWTH 
<b>5</b> GENDER EQUALITY 	<b>6</b> CLEAN WATER AND SANITATION 	<b>16</b> PEACE, JUSTICE AND STRONG INSTITUTIONS 

Responded topics of SDGs

## Management System

Employees are our greatest asset. The Company Handbook has been formulated based on local laws and regulations in a bid to enhance labor discipline management, guarantee optimal operation and production and improve labor productivity and financial results. We prepare the handbooks in three languages, English, Chinese and Vietnamese, and distribute them to every employee on the onboarding date. Because of the variance in employment and labor laws, each tannery has set up its own Human Resource (HR) department that is fully responsible for local labor compliance.

The Company Handbook provides an overview of the codes of conduct for the company and employees and delineates details such as attendance, benefits, recruitment, ranking system and assessment.





# Labor Standards

GRI 408-1, 409-1

We always protect employees' rights and interests. We provide employees with a fair, safe and free working environment. Our policies comply with local labor laws and regulations, including:

- Prohibiting Forced Labor Policies and Procedures
- Anti-discrimination Management Procedures
- Protecting Employees from Retaliation Procedures
- Staff's Suggestion and Complaint Management Procedures
- Child Labor Verification and Salvation Procedures
- Anti-harassment Management Procedures
- Procedures of Protecting Female Employees

To ensure employees' rights, interests and personality are not infringed upon, and to comply with the labor laws and regulations of the country and the requirements of customers, our company implements the Prohibiting Forced Labor Policies and Procedures firmly. Our stance on employees' rights is simple - we do not condone any kind of forced labor. The Human Resources department works with employees to combat force labor and protect human rights across all operations of our group.

In 2022, all three entities within our group in Heshan, China, had been awarded the highest level (A) in the rating of Labor and Social Security Law-Abiding and Integrity by the local government. These awards commended our excellent performance in labor management and the integrity of our policies. No operations and suppliers are considered to have significant risk for incidents of forced or compulsory labor.

## Child Labor/Human Rights Assessment

We comply with local and national legislation and meet/outperform the requirements for labor set by our customers. Our stance on children's rights is simple - we do not condone any form of child labor. We protect young workers from hazardous conditions in all business operations. The Human Resources department works with employees to combat child labor and protect human rights across all operations of our group. To eliminate child labor, we established a child labor verification and salvation procedure. No operations and suppliers are considered to have significant risk for incidents of child labor and young workers exposed to hazardous work. We will maintain direct surveillance of the recruitment procedure of each facility to identify child labor.

To minimize the potential risk of exposure to hazardous environments, we make continuous efforts to improve workplaces to guarantee a safe and healthy work environment.

**FY 2023 Target:** Prohibit child labor in all operations

**Key Initiatives:** Fulfill the commitment to "no child labor" and provide training on human rights to strengthen compliance with human rights policies

Company name	Rating
Heshan Bestway Leather Product Ltd. (HSBWL)	A
Heshan TanTec Leather Co., Ltd. (HTL)	A
Heshan Trading Ltd. (ISATR)	A

# Wages, Benefits and Working Hours

## GRI 401-2

To attract and retain talents, the salaries we offer for our employees are always beyond the legal minimum salary of our operation locations. We also pay overtime compensation according to local labor laws. We occasionally provide bonuses to further retain our employees.

We offer a package of benefits to our employees. In China, benefits include free meals, air-conditioned dormitories, shuttle buses, transportation allowance, annual leave, maternity leave, marriage leave, social insurance, housing fund, travel insurance for business trips, etc. In Vietnam, benefits include free meals, shuttle buses, job performance allowance, job allowance, housing allowance, attendance allowance, seniority allowance, woman period time allowance, child care allowance, annual leave, maternity leave, social insurance, etc.

In general, our employees work five days a week in China and six days a week in Vietnam, which is in line with the local labor laws. Some employees work on shifts or occasionally overtime depending on the actual demands of production.

We organize activities to celebrate special occasions with our employees.



Birthday parties and birthday gifts for employees in our China facility



Birthday parties for employees in Vietnam facility



In summer, the company provided fruits and drinks for the employees in China







Chinese Lunar New Year



Vietnamese New Year (TET)

## Wages and Benefits During the COVID-19 Pandemic

In 2022, the China government continued to implement strict anti-COVID-19 Pandemic policies. Our China facilities continued to be fully compliant with the government's regulations in wage policy. Moreover, we allowed employees to work from home when the outbreak happened in the communities, in order to protect them from getting infected and/or infecting others.

### FY 2023 Target

Keep adequate workforce to maintain production capacity  
Maintain/improve better employee welfare and comply with labor laws

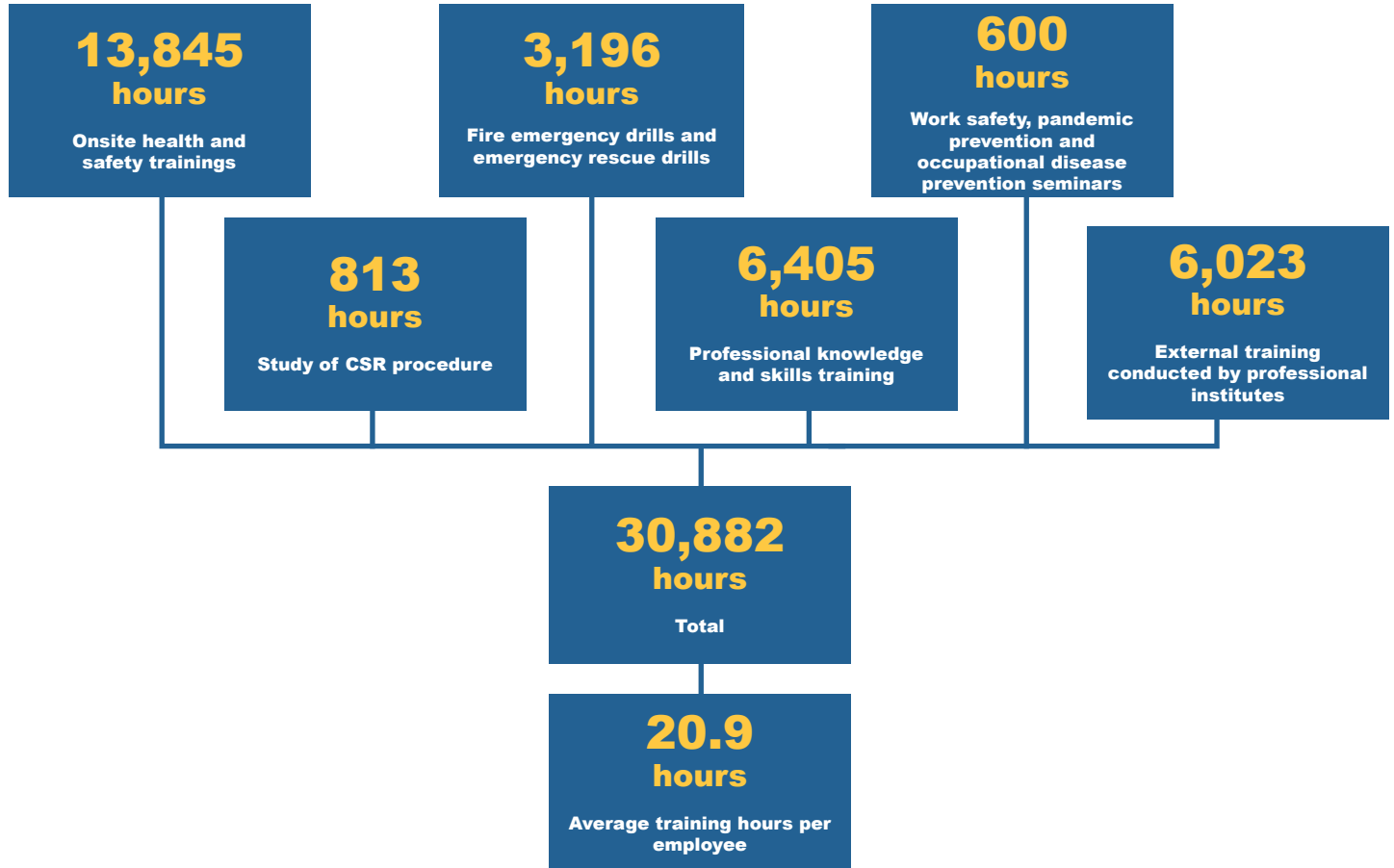
### Key Initiatives

Provide more job opportunities  
Provide competitive salaries and competitive policy  
Provide employees with a better package of benefits

# Development and Training

GRI 404-1, 404-2

We formulate an annual training plan every year to ensure that our employees are equipped with the necessary skills and knowledge to perform their duties and provide satisfactory outputs. The training programs of 2022 covered orientation for new employees, occupational health and safety, firefighting training and drills, finance, production, CSR procedures, food safety, HR data analysis, etc.



## FY 2023 Target

Ensure that all employees are fully trained

## Key Initiatives

Strictly adhere to the training policy and review and update the policy as changes arise

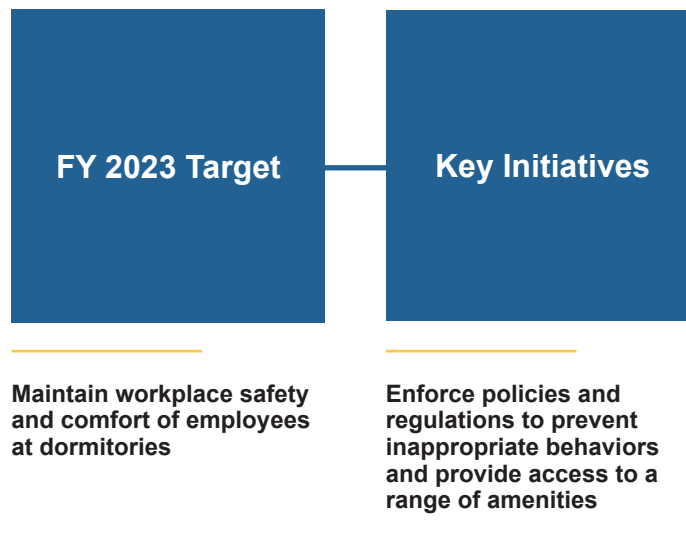
# Workplace and Residence

GRI 401-2

In some facilities, employees are offered air-conditioned dormitories. In addition, there are amenities such as basketball courts, shuttle buses, free parking and convenience stores to improve employees' quality of life. We respect the different cultures of our employees from 12 countries. For example, for employees from different countries have different dietary habits, we set up kitchens to accommodate their needs.

We enforce safety and security regulations to prevent inappropriate behaviors such as drug use, unapproved tenancy, using open flame, smoking, unauthorized installation of appliances, etc. to ensure a safe living environment in the dormitories.

In case of emergency, there are safety control facilities such as smoke detectors in each room and emergency exits with evacuation plans to safeguard our employees.



# Diversity and Equal Opportunity

GRI 2-7, 406-1

As of December 31, 2022, the Group had a total of 1,479 employees. In 2022, there was no reported incidents of non-compliance or grievances in relation to human rights or labour practices standards and regulations that would have a material or significant impact on the Group.

## Others

Indicators	Number of Employees
<b>Total employees</b>	1479

Indicators	Number of Employees
<b>Disabled</b>	7

## By gender

Indicators	Number of Employees
<b>Female</b>	344
<b>Male</b>	1,135

## By region

Indicators	Number of Employees
<b>Asia</b>	1,445
<b>US</b>	32
<b>Europe</b>	2

## By employment type

Indicators	Number of Employees
<b>Permanent/Fixed term</b>	1,479
<b>Temporary</b>	0

It is our policy that all applicants for employment will be considered regardless of race, color, sex, religion, age, national origin, handicap, disability or any other basis of unlawful discrimination. Everyone shall be valued equally. Embracing ethnic diversity, we have built a team of 12 nationalities. We position people with disabilities allowing them to better utilize their ability. Equal career opportunities and benefits are provided regardless of gender. Our executive management includes a number of female members who contribute greatly to different fields. It is a pleasure for our group to be a platform which showcases everyone's talents. No incidents of discrimination were observed during the Reporting Period.

## FY 2023 Target

## Key Initiatives

Prohibit discrimination in all operations

Educate employees on acceptance and inclusivity

Achieve better gender balance

Actively promote gender inclusivity in the workforce and establish clear goals

Promote diversity in the workforce

Provide more job opportunities for minorities and people with disabilities

## WeCare Project in China

We implemented the WeCare Project together with our customer VF and The Centre for Child Rights and Business in our China facility. The project aimed to provide a range of support for employees' work and life, to protect children's rights and improve employee happiness. The whole project consists of 5 parts, including "Migrant parents training Basic session", "Migrant parents training Advanced session", "Child Smart watch program", "PhotoVoice", "Family Day".

**232.5**

**Total training hours**



## Freedom of Association and Collective Bargaining

GRI 2-30, 407-1

Our employees have the right to participate in trade unions and collective bargaining. Our group holds regular meetings with union members and all employees are covered by collective bargaining agreements. In September 2021, HSBWL, HTL and ISATR signed labor safety and health special collective contract with the trade unions. TTL signed a Labor Collective Agreement in July 2020 and STL signed it in February 2022.

No operations and suppliers in which workers' rights to exercise freedom of association or collective bargaining may be violated or at significant risk.

**FY 2023 Target**

**Maintain employees' freedom of association**

**Implement collective bargaining policy**

**Key Initiatives**

**Continue the operation of approved trade unions**

**Enforce legal agreements with employees and trade unions on collective bargaining**



# SUPPLY CHAIN WITH CSR

Responded topics of GRI

302-5, 308-2, 414-2

Responded topics  
of SDGs

17 PARTNERSHIPS  
FOR THE GOALS



12 RESPONSIBLE  
CONSUMPTION  
AND PRODUCTION



# Supplier Environmental Assessment

GRI 308-2, 414-2

Apart from the economic and product-specific performance aspects, we emphasize the sustainability aspect in the selection of our suppliers. Our sustainability standards are incorporated into our procurement decision-making. We look for suppliers whose business values align with ours and expect them to comply with a high legal and ethical standard. Our procedures for supplier assessments are as follows:

Supplier Assessments	Purposes
Suppliers are required to comply with environmental regulations	Improve the environmental performance of our supply chain
Procurement processes are in line with ISO14001: 2015 and/or other industry standards	Enhance the sustainability performance of our supply chain
Prioritize suppliers that source responsibly	Adhere to global best practices
Suppliers are required to provide the QA department periodically with RSL or ZDHC MRSL compliance declaration, SDS (Safety Data Sheets) information and test reports	Continuously deepen environmental efforts

Our Overseas Purchase Department manages the overall Environmental Management System (EMS) of the supply chain, monitors and assesses the supply chain's sustainability performance. They are also responsible for identifying potential environmental effects of the products and services offered by our suppliers. All of our wet-blue suppliers are LWG audited. In addition, we provide them with monthly quality reviews to ensure timely assessments and compliance.

## Non-compliance Incidence

All of our suppliers adhere to responsible sourcing; none of them were reported to have sourced directly from illegal farms, causing biodiversity loss and deforestation. Furthermore, any supplier located in the proximity of the Amazon Biome is required to prove beyond any reasonable doubt that no hides supplied by slaughterhouses originate from the biome or other places where deforestation is an issue.

## Employment and Human Rights of Supplier's Employees

We encourage our suppliers to work with their local trade unions to improve their working environment and relationship with their employees.

## Ethics and Compliance of Suppliers

We value our suppliers and strive to conduct business by following the highest standards of ethics. To prevent bribery and corruption, we comply with and strictly follow international sanction laws. All the suppliers have been assessed for environmental impacts and no significant actual and potential negative environmental impacts were identified.



# Managing the Working Environment of Our Suppliers

## Supplier Code of Conduct

To ensure that all raw materials are sourced responsibly, we thoroughly evaluate our suppliers by reviewing their raw material management policies and prioritizing those that adhere to global best practices.

Our suppliers are required to:

- declare their compliance with our supplier management requirements
- submit required compliance materials, including but not limited to Supplier Information List, RSL or ZDHC MRSL compliance declaration and LWG Compliance Letter
- pass ISO9001 and ISO14001 certifications and meet requirements of new systems launched (if any)
- send samples for confirmation by our technical department
- submit the RSL compliance declaration and provide test report for wet-blue
- submit the ZDHC MRSL compliance declaration, register the products in ZDHC Gateway, and provide a Certificate of Analysis for chemical products
- use recyclable materials for packaging and inform us where there are new sustainable materials/products

## Self-assessments

To encourage our suppliers to improve their overall performance continuously, we require them to carry out regular self-assessments on their operations and make necessary changes.

## Field Audit

We require our suppliers to conduct regular field audits and consider their audit results when reviewing our partnership with them.





# The LITE™ Concept: An Evolution\*

GRI 302-5

**The concept started with a vision of our group and the requirements from brands to offer environmentally friendly leather. LITE was born to provide our customers with the knowledge of energy, water and carbon footprint of each leather product we make, enabling customers to choose the most environmentally friendly product by the footprint parameter. The LITE system is fully integrated into the manufacturing process and specially designed to reduce and control water, energy and chemical usage in the process. Our efforts consistently minimize the impact to the environment by the BAT in the industry.**

## LITE Index\*

We have been consistently reducing the impact of our manufacturing process on the environment. The LITE index is the data that shows the lighting hours and water an article will save to make one pair of shoes (2.5 square feet of finished leather), compared to the latest LWG Pass Score (50%) of 67.2 MJ/m<sup>2</sup> for energy consumption and 178 L/m<sup>2</sup> for water consumption.



## LITE Sourcing

Adhering to the LITE philosophy, we strive to elevate supply chain management from sourcing raw materials and managing chemicals to water, energy and chemical usage in our manufacturing process. We established the LITE Sourcing program to amplify management efforts that promote the sustainable use of natural resources, transparency in our supply chain and ethical treatment of animals. Working together with our suppliers to source raw materials more responsibly, we aim to improve social and environmental performance and give back to the communities. Implementing more socially responsible practices gives consumers confidence that our leather products adhere to the highest standards of ethically and environmentally sustainable practices and animal welfare.



\*Please refer to our website for more information:

<https://isanextgenmaterials.com/isanextgenmaterials/lite-concept-main/background-of-lite>

# Traceability of Materials

We uphold a fundamental principle that complies with the Leather Working Group (LWG) protocol and its latest audit requirements which integrate traceability as a scored element for the first time and add due diligence checks for areas at risk of deforestation. All of our tanneries have achieved over 91% traceability, such as tracing back to the country of origin and slaughterhouses.



To advocate the LITE sourcing strategy with continuous improvement in traceability, we launched a “Greener Pastures™” program explicitly designed to ensure compliance with protocols and requirements regarding animal welfare and traceability in sourcing cattle hides. Greener Pastures™ hides are procured from one of our trusted tier 1 supply chain partners in the United States, meeting more stringent criteria as follows:

## Greener Pastures™ Protocols

### Driving Factor

- ▶ Transparency and traceability back to birth farms
- ▶ The authenticity of materials and guarantee of product integrity
- ▶ Consumers are willing to pay more for guarantees of transparency, authenticity, and sustainability

### Traceability

Our hides are fully batch-by-batch traceable to farms or ranches with a chain of custody documentation

- ▶ Strict standards for animal welfare
- ▶ Animals are raised more sustainably
- ▶ Animals are well taken care of through observation of proper protocols for herd health

### BQA Certification

Beef Quality Assurance works to improve the quality of animal welfare by connecting producers with the latest research and animal care techniques

- ▶ Humane conditions and handling in animal transportation

### BQAT Certification

Transportation of animals must be Beef Quality Assurance Transportation certified. BQAT ensures the proper handling and transportation of animals

- ▶ Harvesting of animals is done humanely

### Humane Harvesting

The harvesting of animals meets the United States Department of Agriculture (USDA) Humane Handling program protocol, verified by third-party independent auditors

- ▶ Healthy practices for both humans and animals regarding the use of added hormones and antibiotics

### No Antibiotics

Animals are raised without the use of antibiotics

- ▶ Proper and healthy diets are fed to animals

### No Hormones

Animals are raised with no added hormones or steroids

### 100% Vegetarian Diet

Animals are fed a 100% vegetarian diet with no animal by-products

# Regenerative Leather

We have been working with brands and organizations to develop and expand a traceable regenerative cattlehide supply chain in support of farmers and ranchers practicing and employing regenerative agricultural principles.

Regenerative agricultural principles have a strong focus on soil health and regeneration, biodiversity and ecosystem support, water management and conservation, carbon sequestration and climate resilience, and the integration of livestock and crops.

Hides sourced from regenerative farms/ranches can be traced back to the birth farm by lot using ear tags.

In 2022 we became the first tannery partner to Savory Land to Market, the world's first outcome based and verified regenerative sourcing solution.

## Collaboration with World Wildlife Fund

To eliminate deforestation and conversion of natural habitats in our cattle hide supply chain, we partnered with World Wildlife Fund and jointly released a responsible sourcing policy for cattlehides.

The responsible sourcing policy defined the standard for our suppliers to comply with, including the overall hide sourcing traceability requirements from Brazil and Paraguay with specific criteria for hides sourced from the Amazon Biome and the Chaco Biome.

Suppliers located in the proximity of the Amazon Biome and Chaco Biome are required to prove that no hides supplied by slaughterhouse originate from the biome of other locations where deforestation is an issue.

All hide suppliers and slaughterhouses must abide by the Five Animal Freedom Principles::

- Freedom from hunger and thirst
- Freedom from discomfort
- Freedom from pain, injury, and disease
- Freedom to express normal behavior
- Freedom from fear and distress





## Cooperation with Suppliers

We are now running a customer-tailored “Regenerative Hides” program with a worldwide brand, where raw materials are 100% traceable from the original farm or ranch to wet-blue and finished leather. The program is jointly initiated with Other Half Processing (OHP), a raw hides supplier that certifies regenerative cattle farms, ranches and processors. Regenerative agriculture for cattle hides mimics the natural movements of herd animals. In this type of grazing, farmers rotate cattle around the land in dense herds, allowing intensive grazing in small specific areas with long rest periods in between. It enables the growth of grasses with deep root systems to extract carbon out of the atmosphere and store it deep in soil. This has been regarded as a solution to problems caused by conventional ranching, for example, soil degradation and the exacerbation of climate change caused by atmospheric methane.

The OHP project meets the verified criteria required to be satisfied in the regenerative sourcing program listed below:

Requirement	Third-Party Certifications Accepted
100% Grassfed	<ul style="list-style-type: none"> <li>American Grassfed Association (AGA)</li> <li>Audubon Conservation Ranching Protocol with grassfed add-on</li> <li>Other verification of animal welfare, biodiversity, non-GMO and strict limits on confinement</li> </ul>
Management Intensive Rotational Grazing (MIRG)	<ul style="list-style-type: none"> <li>Savory Institute’s Environmental Outcomes Verification (EOV)</li> <li>Audubon Conservation Ranching</li> </ul>
Regenerative Outcome Verification – Soil Health and Carbon Testing	<ul style="list-style-type: none"> <li>Savory Environmental Outcomes Verification (EOV)</li> <li>Audubon Conservation Ranching</li> </ul>

We work in full cooperation with our suppliers to improve the quality of our leather and environmental performance. We have adopted a Supply Capability Improvement Plan to communicate effectively with our suppliers and establish a long-term positive relationship with them.

# CORPORATE CITIZENSHIP

Responded topics of GRI 413-1



## Vision of ISA Group

### GRI 413-1

We continue to play an active role in bringing positive environmental, economic and social changes to our communities. We are well-positioned to support community members and improve residents' quality of life in our operation areas. We established a mutually beneficial relationship with local stakeholders and took effective measures to respond to their demands.

Members of local communities are divided into three distinct stakeholder groups:

- Employees who live in on-site dormitories at each of our four manufacturing facilities
- Individuals who reside and work near or within the industrial park
- Local governments/governors on the premises of the manufacturing facilities

We contribute to the development of local economies by sourcing raw materials and goods from local/domestic channels and paying taxes according to local laws. All

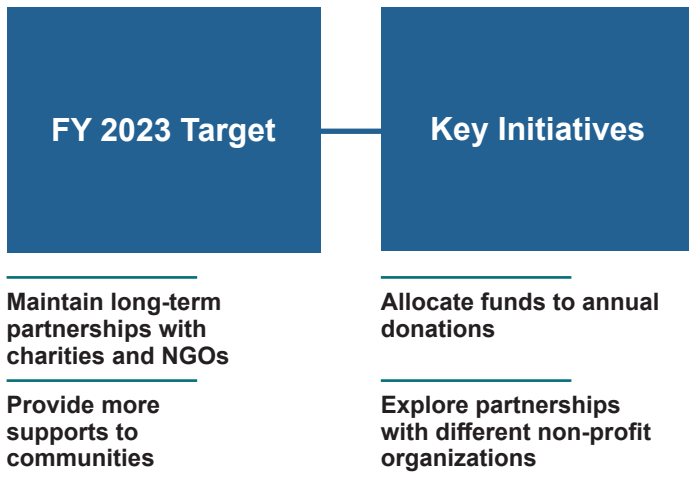
of our operations have implemented the mentioned local community engagement in the Report.

While our business has become more globalized with clientele worldwide, we choose to invest in the local economies and talent pools that the local employees make up the majority workforce of our daily manufacturing operations. We are committed to reinvesting in the communities we hire from and rewarding employees with a robust local economy.

# Donations and Charities

We have always been dedicated to shouldering social responsibilities, as well as giving back to the local communities where our business operates. Some examples of our community initiatives in 2022 are as follows:

- Donations to Deutsche Cleft Kinderhilfe e.V., a charity committed to helping children with cleft lip and palate from all over the world to receive comprehensive treatment
- Donation to Caritas Macau
- Donation to the members of the Communist Party over 60 years old in the local community
- Donations of daily needs to May Ngan Shelter and Tu Tam Nhan Ai Social Protection Facility through Sharing Love Program



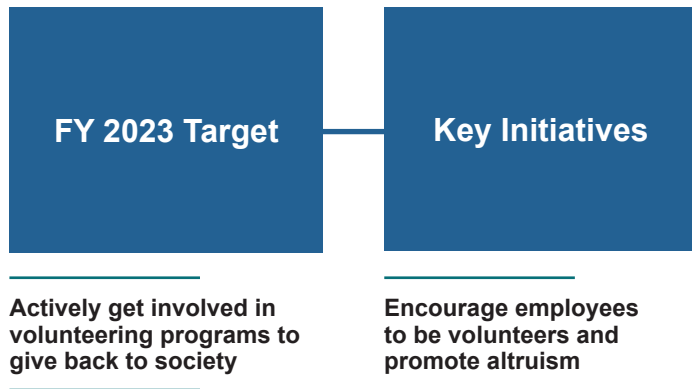
# Active Engagement with Stakeholders

Our group aims to play an active role in championing advancements and positive changes in the local communities. We offer help and support to charities and non-profit organizations to promote social equality and make a positive difference in local communities.

Our commitment to aiding community development is represented in our regular participation in volunteering activities. Some examples are as follows:

- Offering job opportunities to 7 disabled employees in Heshan
- Sponsorship of educational events such as the 928 Challenge, which is the biggest entrepreneurship competition ever organized in Macau for university students
- Sponsoring the WeCare project we co-organized with VF Group

We hope to give back to society and improve the quality of life in less developed areas by supporting social and economic advancements through our volunteering programs.





We are actively engaging with many NGOs to achieve sustainability goals in the leather industry and relevant associations:

**China Leather  
Industry  
Association**

**Guangdong  
Leather  
Association**

**USDA**

**Leather Working  
Group**

**Leather Naturally**

**SATRA**

**UNESCAP  
ESBN (ESCAP  
Sustainable  
Business  
Network)  
Membership**

**The American  
Chamber of  
Commerce in  
South China**

**German Chamber  
of Commerce in  
China, South &  
Southwest**



# ENVIRONMENTAL PROTECTION



## Overview of Environmental Management

Although emissions during manufacturing processes are inevitable, we strive to minimize greenhouse gas (GHG) emissions and environmental impacts as much as possible by investing in clean technologies and ensuring a good execution by professional team at each

location of our group. We have also established the ISO14001 Environmental Management System within our group and set emission reduction targets by the principal of "Avoidance, Minimum, Reuse, Recycling and Disposal".

Note: A sustainability report on environmental contributions will be available in the future for the environmental management of our group.

## Wastewater control

The domestic and industrial wastewater of our Vietnam facilities are collected by the wastewater treatment plant (WWTP) and treated by biological and physical-chemical methods in order to meet discharge standards for further treatment at the industrial park wastewater collection system.



WWTP of Vietnam facility



The domestic and industrial wastewater of our China facility are collected by internal wastewater treatment plant (WWTP) and treated by constructed wetland. The treated wastewater is discharged to local water body after meeting the local discharge standard.



WWTP and Wetlands of China facility

## Air pollution control

All polluted emissions generated during production activities are treated that they meet air emission standard before going into the environment.

## Solid waste control

Prior to being transported to the designated waste recycling center, waste is classified into either hazardous waste or non-hazardous waste and stored accordingly in restricted areas, where unauthorized access is strictly prohibited.



WWTP of Vietnam facility

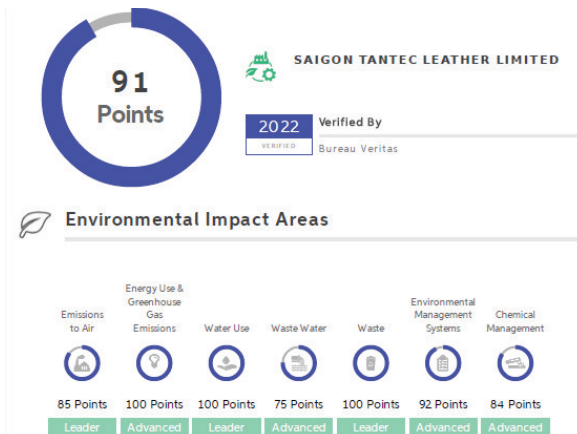


In compliance with local laws and regulations, Vietnam facilities adopt recycling and heat recovery practices for most of the waste:

- Non-hazardous sludge is transferred to the organic fertilizer production company
- Shaving, buffing dust and trimmings are transferred to the cement factory for generating for clinker production
- Carton, plastic and metal are transferred to the recycling company
- Food waste (from the canteen) is transferred to pig farms in the area

# Overview of the Performance of Facility Environmental Module (FEM)

We use the Higg Index, a suite of standardized value-chain measurement tools, to assess our facilities' sustainability performance.



# PERFORMANCE SUMMARY

Data as of 31 December 2022

GRI 2-7, 404-1

## Employees

Key Performances	Unit	2022
<b>Total employees</b>	person	1479
<b>Male</b>	person	1135
<b>Female</b>	person	344
<b>Disabled</b>	person	7

## Safe Production

Key Performances	Unit	2022
<b>Qualification rate of occupational hazards detection</b>	%	100
<b>Physical examination rate of on-the-job personnel at occupationally hazardous posts</b>	%	100
<b>The certificated employment rate for special work positions</b>	%	100
<b>Accidents related to chemical management</b>	case	5 (CN:4, VN:1)
<b>Breaches related to chemical management</b>	case	3 (CN:1, VN:2)
<b>Occupational disease</b>	case	0

## Training

Key Performances	Unit	2022
<b>Total hours for HR training</b>	hour	29,458
<b>Total hours for WSOH safety training</b>	hour	25,471
<b>Total hours for drills</b>	hour	5,915
<b>Total hours for epidemic prevention and occupational disease promotion</b>	hour	700

## Donation

Key Performances	Unit	2022
<b>Distributed in grants</b>	RMB	Over RMB 6,200

# VISION OUTLOOK

Our dedication to sustainability is now more important than ever as the world recovers from the pandemic. In the face of the current challenges and to build a sustainable future for all, we will continue to focus on enhancing the quality of our products, providing transparency in our supply chain, and fulfilling our corporate social responsibilities.

Being a leading Next-Gen Materials manufacturer, we are aware that sustainability is an ongoing journey, and we will continue to innovate, explore new possibilities for sustainable additional materials alongside leather, and invest in sustainable technologies to meet the needs of our customers.

Our employees are the backbone of our company, and we will continue to offer competitive salaries, benefits, and career development opportunities to retain talent. We are committed to providing a safe and healthy work environment, and we have enhanced our occupational health and safety policies to reduce the risk of preventable work-related injuries.

We remain dedicated to giving back to our community and improving societal well-being in different areas. We recognize that sustainability is not just about our products and operations but also about the impact we have on society and the environment. To that end, we will keep working toward creating a world in which sustainability thrives, and no one is left behind. As we move forward, we will continue to share our progress and metrics to generate meaningful long-term value for our stakeholders.



**Statement of use** ISA Industrial Limited has reported the information cited in this GRI content index for the period from 1 January 2022 to 31 December 2022 with reference to the GRI Standards.

**GRI 1 used** GRI 1: Foundation 2021

GRI Standards	Disclosure Title	Report Section(s)	
<b>GRI 2: General Disclosures 2021</b>	2-1	Organisational details	Introduction, Reporting Scope, About ISA Group
	2-2	Entities included in the organisation's sustainability reporting	Reporting Scope, Data Source
	2-3	Reporting period, frequency and contact point	Introduction, Reporting Period, Back Cover Page
	2-4	Restatements of information	ISA Group has not made any restatement in the Reporting Period.
	2-6	Activities, value chain and other business relationships	Standards of Report, About ISA Group, Tanneries of ISA, Our Customers
	2-7	Employees	Diversity and Equal Opportunity, Performance Summary
	2-9	Governance structure and composition	Management Governance Framework, Executive Management by Experienced Professionals
	2-11	Chair of the highest governance body	Management Governance Framework
	2-14	Role of the highest governance body in sustainability reporting	Data Source
	2-22	Statement on sustainable development strategy	Message from the Board
	2-26	Mechanisms for seeking advice and raising concerns	Anti-Bribery and Corruption
2-27	Compliance with laws and regulations	There were no significant instances of non-compliance with laws and regulations and no fines were paid for the Group during the Reporting Period.	



<b>GRI Standards</b>		<b>Disclosure Title</b>	<b>Report Section(s)</b>
<b>GRI 2: General Disclosures 2021</b>	2-28	Membership associations	Certificates and Memberships
	2-30	Collective bargaining agreements	Freedom of Association and Collective Bargaining
<b>Material Topics</b>			
<b>GRI 205: Anti-corruption 2016</b>	205-2	Communication and training about anti-corruption policies and procedures	Anti-bribery and Corruption
	205-3	Confirmed incidents of corruption and actions taken	Anti-bribery and Corruption
<b>GRI 302: Energy 2016</b>	302-5	Reductions in energy requirements of products and services	The LITETM Concept: An Evolution
<b>GRI 308: Supplier Environmental Assessment 2016</b>	308-2	Negative environmental impacts in the supply chain and actions taken	Supplier Environmental Assessment
<b>GRI 401: Employment 2016</b>	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Wages, Benefits and Working Hours, Workplace and Residence
<b>GRI 403: Occupational Health and Safety 2018</b>	403-1	Occupational health and safety management system	Introduction to Occupational Health and Safety (OHS) Management System
	403-2	Hazard identification, risk assessment, and incident investigation	Introduction to Occupational Health and Safety (OHS) Management System, Chemical Safety of Employees
	403-3	Occupational health services	Special Topic: Fight Against COVID-19
	403-5	Worker training on occupational health and safety	Chemical Safety of Employees, Contingency Preparedness and Response (Including OHS Training)
<b>GRI 404: Training and Education 2016</b>	404-1	Average hours of training per year per employee	Development and Training, Performance Summary
	404-2	Programs for upgrading employee skills and transition assistance programs	Contingency Preparedness and Response (including OHS Training), Development and Training
<b>GRI 406: Non-discrimination 2016</b>	406-1	Incidents of discrimination and corrective actions taken	Diversity and Equal Opportunity

<b>GRI Standards</b>		<b>Disclosure Title</b>	<b>Report Section(s)</b>
<b>GRI 407: Freedom of Association and Collective Bargaining 2016</b>	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Freedom of Association and Collective Bargaining
<b>GRI 408: Child Labor 2016</b>	408-1	Operations and suppliers at significant risk for incidents of child labor	Labor Standards
<b>GRI 409: Forced or Compulsory Labor 2016</b>	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	Labor Standards
<b>GRI 413: Local Communities 2016</b>	413-1	Operations with local community engagement, impact assessments, and development programs	Vision of ISA Group
<b>GRI 414: Supplier Social Assessment 2016</b>	414-2	Negative social impacts in the supply chain and actions taken	Supplier Environmental Assessment
<b>GRI 416: Customer Health and Safety 2016</b>	416-1	Assessment of the health and safety impacts of product and service categories	Chemical Management
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Customer Health and Safety
<b>GRI 418: Customer Privacy 2016</b>	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Customer Privacy

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