

# **ISA Group Corporate Social Responsibility Report 2023**



**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 2023 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 this entity.

## Reporting Period

GRI 2-3

This report covers the period from January 1, 2023 to December 31, 2023, 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.

The present report exhibits a continuity in the value chain, mirroring that of the ISA CSR Report 2022, released on July 6, 2023, with no significant deviations.



# CONTENTS

<b><u>MESSAGE FROM THE BOARD</u></b>	<b><u>1</u></b>
<b><u>ABOUT ISA GROUP</u></b>	<b><u>2-8</u></b>
<b>Certificates and Memberships</b>	<b>3-5</b>
<b>Manufacturing facilities of ISA</b>	<b>6-7</b>
<b>Our Customers</b>	<b>7</b>
<b>Vision &amp; Mission</b>	<b>7</b>
<b>Post-Covid Era</b>	<b>8</b>
<b><u>CSR GOVERNANCE</u></b>	<b><u>9-15</u></b>
<b>Management Governance Framework</b>	<b>9</b>
<b>Rules and Regulations of ISA Group</b>	<b>10-11</b>
<b>Executive Management by Experienced Professionals</b>	<b>12</b>
<b>Anti-Bribery and Corruption</b>	<b>12</b>
<b>Tax Compliance</b>	<b>13-15</b>
<b>Transfer Pricing</b>	<b>13</b>
<b>Level of Tax Risk Accepted</b>	<b>13</b>
<b>Approach to Dealing with Tax Authorities - Trust and Transparency</b>	<b>13</b>
<b>Awards</b>	<b>14</b>
<b>Anti-Money Laundering</b>	<b>14</b>
<b>Sanctions</b>	<b>15</b>
<b>Step1: Due diligence</b>	<b>15</b>

# CONTENTS

Step 2: Screening	15
Step 3: Check relevant country guidance	15
Step 4: Seek legal advice	15
<b><u>PRODUCT RESPONSIBILITY</u></b>	<b><u>16-25</u></b>
Sustainable Operational Management (SOM) Strategy	16-20
Chemical Management	21-25
Chemical Management System	21
Chemical Safety Measures	22
Restricted Substances Management	23
New Class C Chemical Warehouse	23
Hazardous Chemical Management	23-24
Participation in Zero Discharge of Hazardous Chemicals (ZDHC)	24
Customer Privacy	25
Customer Privacy Policies	25
Privacy Breaches	25
Customer Health and Safety	25
<b><u>OCCUPATIONAL HEALTH AND SAFETY (OHS)</u></b>	<b><u>26-34</u></b>
Introduction to Occupational Health and Safety (OHS) Management System	26-27
Chemical Safety of Employees	28
Occupational Health Monitoring of Employees	29-30

# CONTENTS

<b>Contingency Preparedness and Response (Including OHS Training)</b>	<b>30</b>
<b>General OHS Training</b>	<b>31</b>
<b>Production Safety Drill</b>	<b>31</b>
<b>Fire Safety Drill</b>	<b>32</b>
<b>Contingency Response Training</b>	<b>33-34</b>
<b><u>EMPLOYMENT AND HUMAN RIGHTS</u></b>	<b><u>35-42</u></b>
<b>Management System</b>	<b>35</b>
<b>Labor Standards</b>	<b>36</b>
<b>Child Labor/Human Rights Assessment</b>	<b>36</b>
<b>Wages, Benefits and Working Hours</b>	<b>37-38</b>
<b>Development and Training</b>	<b>39</b>
<b>Workplace and Residence</b>	<b>40</b>
<b>Diversity and Equal Opportunity</b>	<b>41</b>
<b>Freedom of Association and Collective Bargaining</b>	<b>42</b>
<b><u>SUPPLY CHAIN WITH CSR</u></b>	<b><u>43-49</u></b>
<b>Supplier Environmental Assessment</b>	<b>44</b>
<b>Managing the Working Environment of Our Suppliers</b>	<b>45</b>
<b>The LITE™ Concept: An Evolution</b>	<b>46</b>
<b>Traceability of Materials</b>	<b>47</b>
<b>Regenerative Leather</b>	<b>48</b>

# CONTENTS

Cooperation with Suppliers	49
<b><u>CORPORATE CITIZENSHIP</u></b>	<b><u>50-53</u></b>
Vision of ISA Group	50
Donations and Charities	51
Active Engagement with Stakeholders	52-53
<b><u>ENVIRONMENTAL PROTECTION</u></b>	<b><u>54-57</u></b>
Overview of Environmental Management	54
Wastewater control	55
Air pollution control	55
Solid waste control	56
Overview of the Performance of Facility Environmental Module (FEM)	57
<b><u>PERFORMANCE SUMMARY</u></b>	<b><u>58</u></b>
<b><u>VISION OUTLOOK</u></b>	<b><u>59</u></b>
<b><u>GRI CONTENT INDEX</u></b>	<b><u>60-62</u></b>

# MESSAGE FROM THE BOARD

## Welcome from Uwe Hutzler, Chief Executive Officer

**ISA values every opportunity to further shoulder social responsibility, extending support to its employees, the community, and ultimately to the society as a whole**

Responded topics of GRI 2-22

As we reflect on the past year and look towards the future, ISANext-Gen Materials remains steadfast in our commitment to be a force for positive change in society. Our dedication to sustainability continues to drive our business, underpinning our pursuit of advancing development.

The easing of COVID restrictions in Greater China in late 2022 initially seemed hopeful, but the economic challenges that followed led to 2023 being a tough year for our industry. Instead of the expected recovery, we faced high inventories, inflation, and political tensions, causing

the industry to postpone important initiatives and focus more on cost-saving measures over market development.

In light of these shifts, our dedication to corporate social responsibility and making a meaningful impact in the environment, our communities and our employees globally becomes increasingly crucial. We are committed to fostering a culture of integrity, sharing resources with society, and prioritizing safety, health, and various social initiatives in response to the challenges posed by the evolving economic environment.



We are proud to announce that the Corporate Social Responsibility (CSR) Report 2023 has been published, marking three successive years of sharing our past and present CSR initiatives while emphasizing our unwavering dedication to shaping a better future beyond the current economic uncertainty.

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 the current market trends, we have also been investigating and

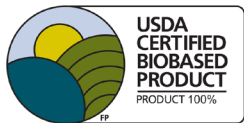
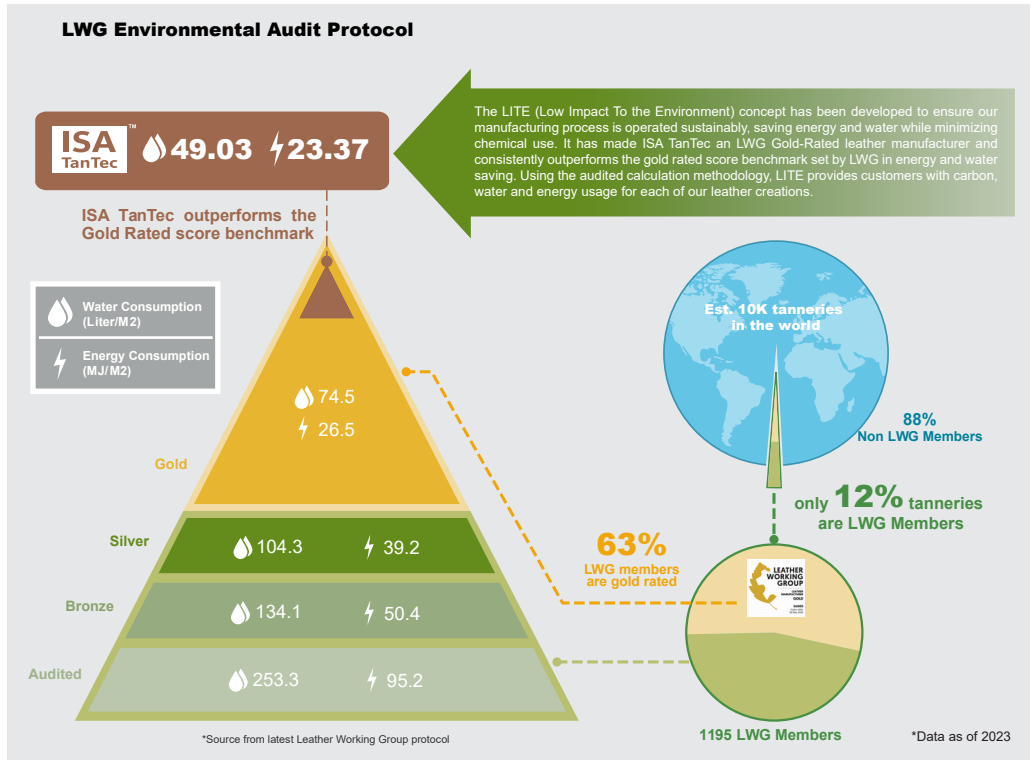
have already spent years in research and development with scientists to produce new sustainable additional materials along with our already recognized sustainable LITE leathers. We have launched the Creation of Sustainable Materials (COSM™) business unit, specializing in developing and producing sustainable 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 have earned the prestigious Leather Working Group (LWG) Gold Rating. HSBWL, HTL, STL, and TTL are certified with ISO14001 and ISO9001. Additionally, HSBWL, HTL, and STL also hold the ECO2L\* certification.

\*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, Hechong Town  
Heshan City, Guangdong Province  
Postal Code 529727  
P.R. China

produces at its site in an energy-efficient process and calculates the CCF / the PCF (product mix) in accordance with the ECOLU-calculation tool.

Registered audit number: 068  
Category of production: wet-shed-white-toilet-green-to  
Type of leather: crust  
Audit record: ECOLU 6.5.11-2023  
Auditor: DSH-Eng. Silke 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


 Verband der Deutschen Lederindustrie e.V.  
German Leather Federation  
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60329 Frankfurt am Main

Telefon +49 69 57863143  
Telefax +49 69 7880006  
info@vdl.de  
www.vdl.de



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

produces at its site in an energy-efficient process and calculates the CCF / the PCF (product mix) in accordance with the ECOLU-calculation tool.

Registered audit number: 066  
Category of production: wet-shed-white-toilet-green-to  
Type of leather: finished leather  
Audit record: ECOLU 6.5.11-2023  
Auditor: DSH-Eng. Silke 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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**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 CCF / the PCF (product mix) in accordance with the ECOLU-calculation tool.

Registered audit number: 054  
Category of production: wet-shed/fin-wet-white-toilet-green-to  
Type of leather: finished leather  
Audit record: ECOLU 6.5.11-2023  
Auditor: DSH-Eng. Silke 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 127001602**

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

Site: **c/o Heshan Bestway Leather Product Ltd.**  
Unified Social Credit Code: 91440700520257574Q  
Registration Address: No.1 Xingji Road, Hechong Town, 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 Garsden Street 11103 Köln

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-tech and industrial area of Beijing Free Trade Zone), 100176, P. R. China

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## Certificate

Standard: **ISO 9001:2015**  
Certificate Registr. No: **01 100 127001603**

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

Site: **c/o Heshan Tante Leather Co., Ltd.**  
Unified Social Credit Code: 91440700570674648Q  
Registration Address: Unit 2, No.1 Xingji Road, Hechong Town, 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

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## Certificate

Standard: **ISO 9001:2015**  
Certificate Registr. No: **01 100 127001601**

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

Site: **c/o ISA Heshan Trading Co., Ltd.**  
Unified Social Credit Code: 9144070057056436X  
Registration Address: Unit 3, No.1 Xingji Road, Hechong Town, 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

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## Certificate

Standard: **ISO 9001:2015**  
Certificate Registr. No: **01 100 127001605**

Organization: **ISA Heshan Trading Co., Ltd.**  
Unit 3, No.1 Xingji Road, Hechong 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 127001604**

Organization: **ISA Heshan Trading Co., Ltd.**  
Unit 3, No.1 Xingji Road, Hechong 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

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TÜV Rheinland Cert GmbH  
An Garsden Street 11103 Köln

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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 Bestway Leather Product Ltd.  
No.1 Xingji Road, Hechang 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

Authorized responsible officer: TÜV Rheinland China Ltd., Room 201, 3F and Room 1203, 12F, Building 4, No. 15, Mengjia South Road, Beijing Economic-Technological Development Area, Beijing (Tianjin) Free Trade Zone, High-tech Industrial Area of Beijing (High Tech 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 Tante Leather Co., Ltd.  
Unit 2, No.1 Xingji Road, Hechang 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

Authorized responsible officer: TÜV Rheinland China Ltd., Room 201, 3F and Room 1203, 12F, Building 4, No. 15, Mengjia South Road, Beijing Economic-Technological Development Area, Beijing (Tianjin) Free Trade Zone, High-tech Industrial Area of Beijing (High Tech 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 ISA Heshan Trading Co., Ltd.  
Unit 3, No.1 Xingji Road, Hechang 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

Authorized responsible officer: TÜV Rheinland China Ltd., Room 201, 3F and Room 1203, 12F, Building 4, No. 15, Mengjia South Road, Beijing Economic-Technological Development Area, Beijing (Tianjin) Free Trade Zone, High-tech Industrial Area of Beijing (High Tech 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

Authorized responsible officer: TÜV Rheinland China Ltd., Room 201, 3F and Room 1203, 12F, Building 4, No. 15, Mengjia South Road, Beijing Economic-Technological Development Area, Beijing (Tianjin) Free Trade Zone, High-tech Industrial Area of Beijing (High Tech 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 SAIGON TANTEC LEATHER LIMITED  
Lot 06, 2, K5, Road No. 05, Viet Nong 2 Industrial Park, An Tay 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

Authorized responsible officer: TÜV Rheinland China Ltd., Room 201, 3F and Room 1203, 12F, Building 4, No. 15, Mengjia South Road, Beijing Economic-Technological Development Area, Beijing (Tianjin) Free Trade Zone, High-tech Industrial Area of Beijing (High Tech 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 TRANSGASA TANTEC LIMITED  
Lot 06, 1, CA Road, Thanh 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

Authorized responsible officer: TÜV Rheinland China Ltd., Room 201, 3F and Room 1203, 12F, Building 4, No. 15, Mengjia South Road, Beijing Economic-Technological Development Area, Beijing (Tianjin) Free Trade Zone, High-tech Industrial Area of Beijing (High Tech Zone), 100176, P. R. China



# Manufacturing facilities of ISA

GRI 2-1, 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 500 employees for both entities\*

\*Data as of December 2023



## 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 670 employees\*

\*Data as of December 2023

## Manufacturing facilities of ISA

GRI 2-1, 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 30 employees\*

\*Data as of December 2023



### 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 300 employees\*

\*Data as of December 2023

## Our Customers

GRI 2-6

Our multiple production locations are strategically positioned in proximity to our customers' factories. We collaborate with some of the world's leading 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.

## Post-Covid Era

In December 2022, China downgraded its COVID-19 management policy from Category A to Category B, effective from January 8, 2023. This led to a relaxation of the “Dynamic Zero Covid” strategy nationwide. Quarantine and PCR testing requirements for positive cases were lifted, and health tracking systems were phased out. While inbound travel restrictions remained in early 2023, our China facility resumed normal operations so as our travel for face-to-face meetings with stakeholders.

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.

# CSR GOVERNANCE

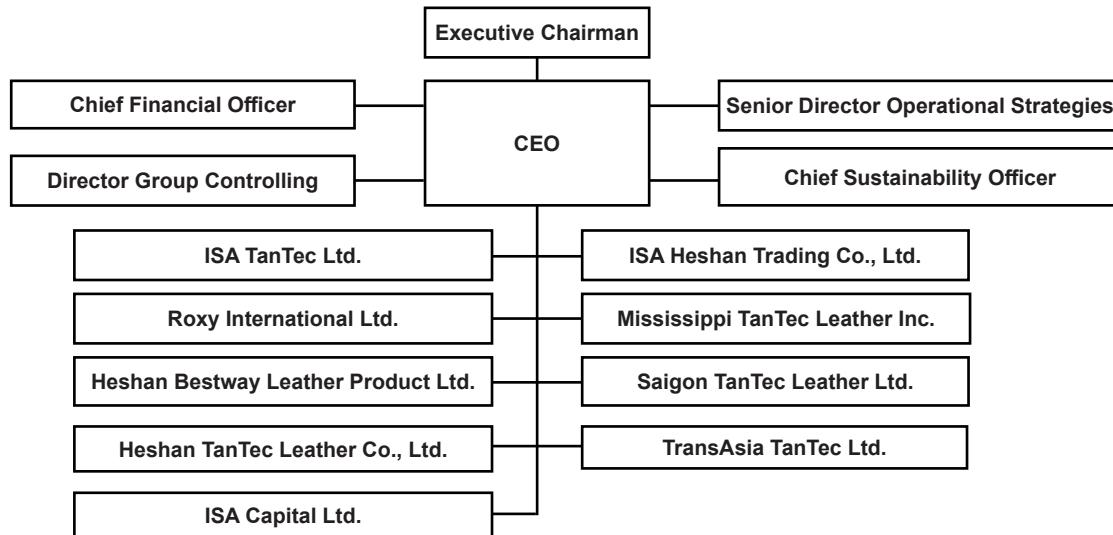


Responded topics of SDGs

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 Infectious Diseases and Other Public Health Emergencies</li> </ul>
<b>CSR Governance</b>	<ul style="list-style-type: none"> <li>• ISA Group Code of Conduct</li> <li>• ISA Compliance Policy</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 Rules</li> <li>• Regulation on Fire Fighting Management</li> <li>• Accident and Near Miss Reporting and Management Procedure</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>• User Information Transmission Device Safe Operation Procedure</li> <li>• Regulation on Production Safety</li> <li>• Confined Space Operation Management Rules</li> <li>• SOP of Fire Alarm Host</li> <li>• Management Rules of Special Operations and Special Equipment Operations with Certificate</li> </ul>

# Rules and Regulations of ISA Group

Key policies and regulations are below:

Topics	Regulations
<b>Occupational Health and Safety (OHS)</b>	<ul style="list-style-type: none"> <li>• SOP of Fire Alarm Host (For Class C Warehouse)</li> <li>• Safety Management Rules of Equipment and Facilities</li> <li>• Lock-out Tag-out (LOTO) Management Rules</li> </ul>
<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-violence and 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> <li>• Working Overtime Management Procedure</li> <li>• Payroll Management Procedure</li> <li>• Anti-bribery Procedure</li> </ul>
<b>Supply Chain with CSR</b>	<ul style="list-style-type: none"> <li>• ISA Restricted Substances List (RSL) and Manufacturing Restricted Substances 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>• The “CSR Survey on Selected Key Supply Chain Partnership” for CSR information</li> <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 professional skills and knowledge, extensive 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, taxation 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 at high degree of compliance 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 misconduct 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 for every director, officer, manager, employee, agent and where appropriate other third-party representatives. 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 the Board of Directors and/or to appropriate governmental/regulatory bodies. There were no incidents of corruption occurred during the Reporting Period. In addition, 100 % of the employees received anti-corruption training in 2023.

\*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, 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 in midst of the 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

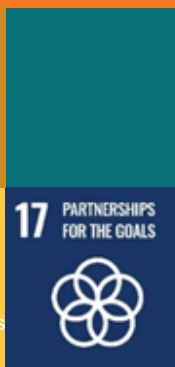
If there is any doubt as to whether sanctions are applicable to the transaction/business activity, further advice will be sought from our Ethics & Compliance Committee which will then confirm with the legal team of our key investor – Navis Capital.

# 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.

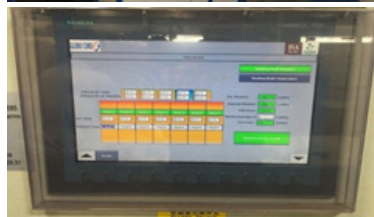
We have developed a manufacturing management system by integrating technologies in the chemical management system, traceability system, etc.

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:



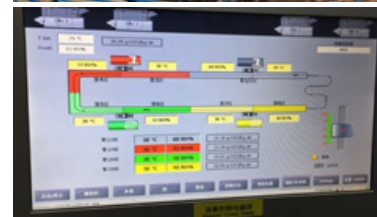
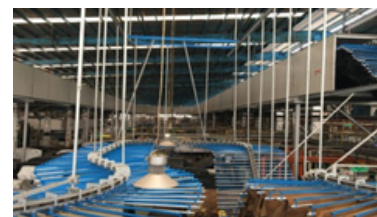
### Water mixer system upgrade

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 to operate and handle by operators, minimizing energy consumption at a lower drying temperature (40-50 °C)



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

Generating approximately 1,120,006 kWh of heat energy in 2023 to lower carbon footprints



### Windmill

Windmill to generate power for water pumps and road lights



In 2023, we continued to invest in 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



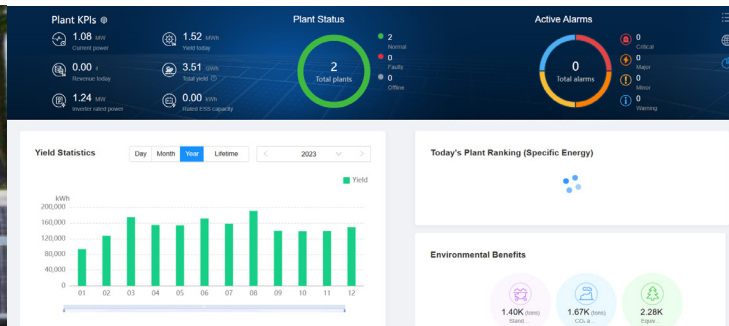
### Air Emission treatment system

Helping to control air pollution



### Noise cover for the stacking machine

Reducing noise hazard in the workplace



### Photovoltaic Solar System in STL

With a capacity of 1,480 KWP, 652.68 tons of standard coal was saved and 1,320 tons of CO<sub>2</sub> was avoided

Our dedication to sustainability is evident in our daily operations, which undergo constant evaluation and enhancement. In 2023, despite all the challenges, we invested millions of RMB in a new Class C warehouse to facilitate the relocation of non-hazardous chemicals and most Class C finished goods. This strategic move ensures refined management and control within the new facility.

We employ state-of-the-art technology in the industry, ensuring optimal energy efficiency and safety across all facilities. Our commitment to minimizing environmental impact is reflected in the conscious use of the most advanced available technology.



### **New Class C Warehouse for non-hazardous chemicals/finished goods**

In addition to the new Class C warehouse, we are continuously enhancing our operational mechanisms.



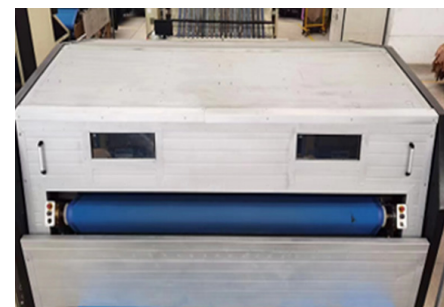
### **Cooling tower/water tanks**

Relocating the cooling tower system from the workshop's roof to the ground to reduce the load, and ensure building safety. The new energy-saving model exhibits improved efficiency.



### **Dormitory hot tanks**

Relocating the hot tanks from the roof to the ground to reduce the load, ensuring building safety.



### **Noise covers for the staking machine**

Installing noise covers for the staking machine to reduce noise hazard in the workplace

We also continually take proactive steps to mitigate OHS risks, such as:



The buffing room at our China facility (HTL) has had its fire alarm system upgraded to be explosion proof to reduce the risk of dust explosions.



Measures have been taken to enhance fall protection safety on platforms and during aerial work in HTL. This includes securing electric control boxes for “lock-out” procedures.

The Vietnam facility (TTL) is currently under review for the Photovoltaic Solar contract and will install new solar panel once the details are finalized. Meanwhile, our China facility (HTL) has been exploring potential work partnerships for Photovoltaic Solar Systems in 2023, and one has been selected for contract review. We anticipate that the project to commence in 2024. Once installed and operated, the project is expected to reach a photovoltaic solar capacity of 2.43 MWp.

**FY 2024 Target:** In pursuit of sustainability, we consistently strive to upgrade our machinery, fostering the progression of a cleaner energy structure within our group.

**Key Initiatives:** Expanding the photovoltaic power generator to further diminish reliance on traditional energy sources.

# Chemical Management

## Chemical Management System

GRI 416-1

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

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>• New Class C Chemical Warehouse put into use, and liquid and powder chemicals are separated</li> <li>• Underground Storage Tank of Sulfuric Acid &amp; Hydrogen Peroxide Regulation</li> </ul>
<b>Environment Department</b>	<b>Chemical Disposal</b>	<ul style="list-style-type: none"> <li>• Precursor &amp; Explosive Prone Chemical Safety Regulation</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>• Supervision 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 offer services and products aligned with customer preferences while ensuring environmental compliance to safeguard human health. Adhering strictly to global chemistry management policies and regulations, we implement a range of chemistry management mechanisms.

Processes	Measures
<b>Chemical Storage</b>	<ul style="list-style-type: none"> <li>• The unloading procedure for the tank car</li> <li>• A brand new Class C chemical warehouse</li> <li>• An internal management system of warehouse-in and out and for the flow of hazardous chemicals</li> <li>• The systematic organization of chemicals by warehouse, category, and designated areas, coupled with stringent control measures for hazardous chemical stocks and the monitoring of temperature/humidity conditions within storerooms</li> <li>• ISA Group Code of Conduct</li> <li>• Storeroom management and periodic safety hazard inspections are conducted by dedicated staff</li> <li>• Deviation Sheet Retanning Formula</li> </ul>
<b>Chemical Use</b>	<ul style="list-style-type: none"> <li>• Adherence to chemical regulations and customer requirements</li> <li>• Addressing Worksheet Deviations</li> <li>• Compilation and review of Manufacturing Restricted Substances List (MRSL)/Restricted Substances List (RSL) requirements from global brands, with group goals to meet stringent limits and expectations</li> <li>• Implementation of ISA Restricted Substances List (RSL) for Finished Products</li> </ul>
<b>Chemical Disposal</b>	<ul style="list-style-type: none"> <li>• Proper transfer and disposal of waste chemicals through qualified hazardous waste disposal organizations</li> </ul>

Rigorously following the First In, First Out (FIFO) principles ensures that all chemicals remain 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 categorize chemicals according to various risk factors:

- Flammability
- Oxidization
- Corrosiveness
- Health risk
- Environmental risk
- Toxicity

Clear hazard labeling, precautionary statements, and storage condition requirements are in place on the chemical barrels. This fundamental information is also prominently featured on the Chemical Inventory, serving as easy guidance for on-site operators to respond promptly in case of any chemical accidents.

## Restricted Substances Management

The Quality Assurance Department (QA) is tasked with identifying and monitoring chemical restriction-related regulations, encompassing product safety legislations aligned with international and industrial standards. This includes:

- 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

The Purchasing Department has implemented the Supplier Management Procedure and Purchasing Workflow to guarantee full compliance by our suppliers with restricted substances requirements. In this context, we have identified chemicals listed in the RSL for suppliers. It is mandatory for all chemical suppliers to sign a Certificate of Compliance, confirming adherence to the limits specified in the Restricted Substances Specification.

## New Class C Chemical Warehouse

Moreover, we have constructed a new Class C chemical warehouse, where liquid and powder chemicals are stored separately.



## 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 handling chemicals undergo mandatory training and examination before commencing work. In instances where engineering controls prove insufficient for managing hazards, appropriate Personal Protective Equipment (PPE) is provided to employees exposed to the chemicals.

Detailed guidance and requirements are outlined as follows:

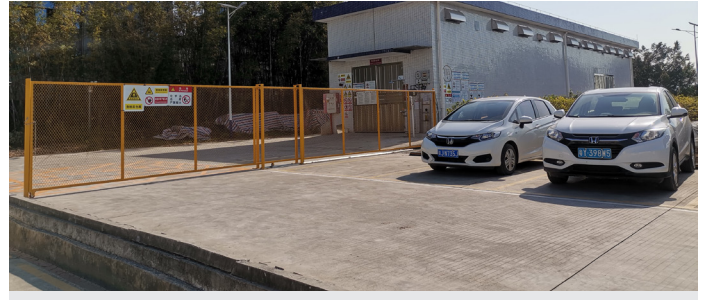
- Chemical Warehouse Work Instruction
- Supervision and Management Rules of Production Safety
- Contingency Plan for Hazardous Chemical Spill
- Restricted Substances Control Procedure
- Prevention and Control Procedure of Water Pollution
- Safety Operation Procedures (SOPs)
- Training Control Procedure



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 China



We have installed a fence to prevent unauthorized individuals from entering the Hazardous Chemical Warehouse

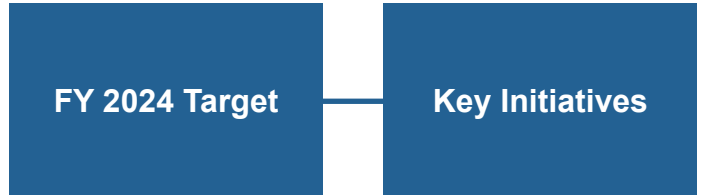


The warehouse was divided into four separate areas to fulfill different chemical storage requirements

## 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 and RSL) and wastewater testing based on the wastewater guidance of the leather industry on ZDHC.



To reduce the total amount of chemical consumption

To control the quality of chemicals provided by suppliers

To eliminate hazards and risks to employees

Key Initiatives

To improve the process of production continuously

To increase the frequency of regular tests on chemicals provided by suppliers

To optimize workflow, especially the exposure to hazardous chemicals

# 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 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

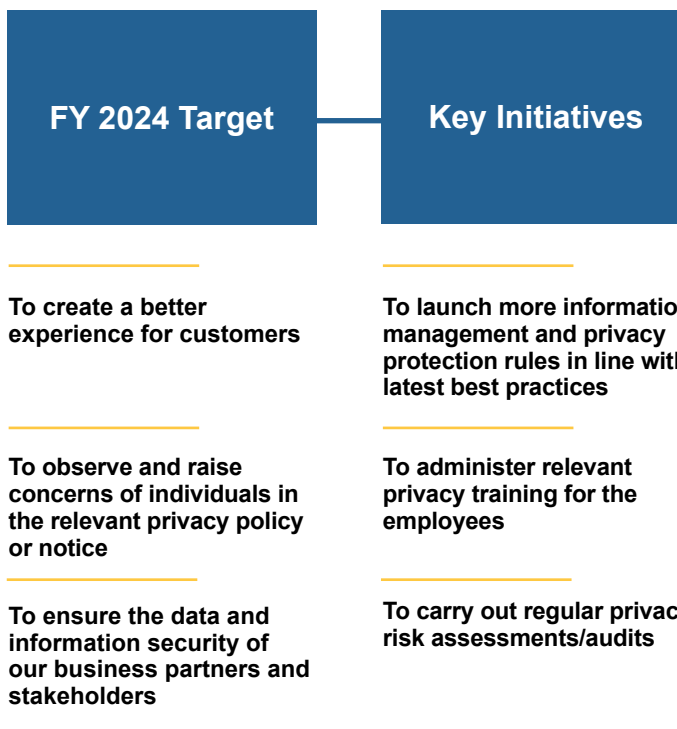
## Customer Privacy Policies

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 according to local rules and regulations, as well as the code of conduct by technical methods. We will take adequate and appropriate 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 and has not been reported for 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, coupled with continuous improvements in daily activities. Our Health and Safety Department (HS) at each site is dedicated to addressing compliance issues with local authorities regarding work safety, fire safety, and occupational health (WSFSOH) in each facility. A formal Occupational Health and Safety (OHS) Committee, comprising managers at multiple levels, has been established at each facility. The committee reports directly to senior management, led by the Chief Executive Officer.

Primary duties of HS:

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

With continuous improvements through "P-D-C-A" cycle, we have established the OHS Management System and other operational guidelines to avoid injuries and accidents, ensuring 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
- Management Rules of Special Operations and Special Equipment Operations with certificate
- Occupational Hazards Monitoring Rules
- Occupational Health Reporting Rules

Each OHS management procedure or workflow has been developed and/or maintained based on relevant WSFSOH local laws, regulations, as well as expectations from stakeholders such as worldwide brands. The OHS system covers work safety, firefighting, operating and manufacturing workflows, occupational hazards and occupational health, divisional 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 2024 Target**

**Key Initiatives**

**To raise awareness of unsafe employee behaviors for proactive self-protection / safety culture**

**To involve more workers in practical safety training/activities (e.g: finding hazards)**

# Chemical Safety of Employees

GRI 403-2, 403-5

Chemicals are often used and handled at 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 have 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 well complied

with. Employees with adequate training can obtain 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
- Including chemical safety as part of induction 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 handling capabilities which includes purchasing team's know-how if the chemical accident is caused by a supplier/forwarder
- Active monitoring of truck loading and feedback to the buyer for urgent corrective action in case a safety issue is identified

For easy understanding of chemical hazards, our China HS team edited the SDS content (based on GHS) into HSE Guide, which provides each employee/visitor with a general picture of chemical safety and how to respond in an emergency.

We conduct chemical drills regularly for employees to familiarize themselves with emergencies. In 2023, HSBWL/HTL, STL and TTL conducted 21 chemical drills. Through continuous practices, we assess the effectiveness of our chemical safety contingency plans and issue reports to make further improvements.

During 2023, our group recorded zero chemical-related injuries. There were 2 chemical leakage accidents involving external stakeholders (one occurred at STL in June 2023, caused by a contractor, and the other occurred at HSBWL in December 2023, when a customer's truck hit the loading platform, resulting in diesel oil leakage).

Our injury reports and/or near-miss reports detail all work-related accidents, including the sequence of events, analysis of causes, corrective and preventive measures, handling opinions, and completion status, in order to identify and assess risks related to the incidents and prevent similar occurrences in the future.

## FY 2024 Target

To continuously focus on contingency practices  
To build solid emergency responsible ability

## Key Initiatives

To maintain refreshing chemical safety training / drills

# Occupational Health Monitoring of Employees

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

- Arranging ongoing health checks for employees who are exposed or potentially exposed to occupational hazards
- Organizing occupational disease prevention education and training courses for all functional departments
- Performing regular hazard monitoring and assessments in the workplace
- Investing extra money to minimize the impact from the machinery with noise (e.g: staking)
- Encouraging proper utilization of PPE within the facilities to avoid occupational accidents and prevent occupational diseases

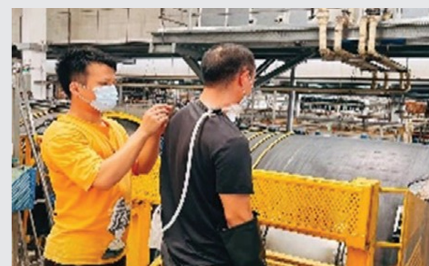
In compliance with the occupational safety regulations, we adhere to strict workplace requirements to safeguard the health and safety of all employees.

## 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





Health checks for employees



## Contingency Preparedness and Response (Including OHS Training)

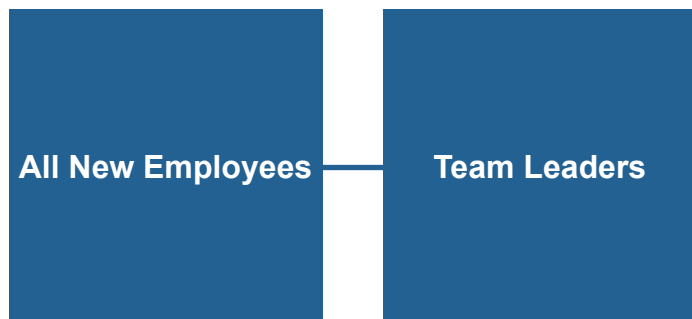
GRI 403-5, 404-2

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



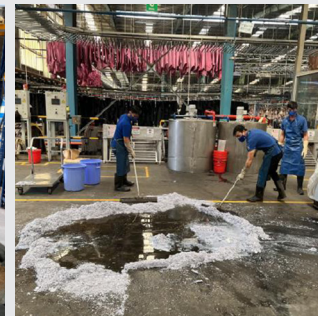
Three levels of safety education

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

Safety awareness, safe operations and emergency procedures

Safety management knowledge learning

We consistently educate our employees about OHS and conduct exercises and assessments to reinforce their understanding. HSBWL/HTL, STL, and TTL conducted WSFSOH training programs encompassing safety, firefighting, and first aid, totaling 23,373 training hours in 2023, including 6,353 hours dedicated to drill training. Additionally, we implemented a comprehensive Cardiopulmonary Resuscitation (CPR) simulated practice model, offering regular CPR refresh training sessions for employees. These initiatives significantly enhanced their practical skills and readiness.



Chemical spillage in China and Vietnam facilities

## Production Safety Drill

Regular workplace drills are essential for safeguarding employees from emergencies and accidents. Throughout 2023, our group consistently organized a diverse array of production safety and emergency drills, including:

- 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



## Fire Safety Drill

Fire drills contribute to reducing fire accidents by promptly extinguishing primary fires to prevent spreading and avoid serious consequences. We carry out various fire emergency evacuation drills in different locations of HSBWL/HTL, STL and TTL, covering both day shift and night shift while 3 shifts were even covered in STL / TTL.



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.

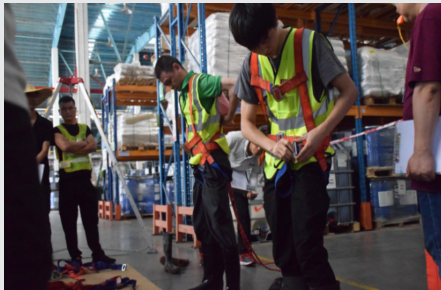
The training plan is highly specialized in rapidly deploying our onsite personnel to react to emergencies responsively, which helps minimizing losses caused by accidents.



Contingency Response Trainings in Vietnam facility



In 2023, our China facility continued to host various safety initiatives, including but not limited to annual safety test on all employees, "Find Hidden Hazards" campaign, skill competitions focused on forklift driving, fire prevention, and the wearing guidelines of safety helmets and belts.





In December 2023, our China facility was appointed by the Heshan Fire team for sharing good practices with all township fire administration departments and key enterprises.



Fire fighting practice sharing in our China facility



Moreover, our China facility actively participated in the Confined Space Contest held in Heshan City, organized by the Contingency Management Bureau. Out of 18 participating enterprises, our facility secured the 2nd runner up award. Additionally, our China facility was recognized as the "Excellent Enterprise in Work Safety of Year 2023" for its outstanding performance in Occupational Health and Safety (OHS) management systems.



Our China facility secured the 2nd runner up award in the local Confined Space Contest



Our China facility was recognized as the "Excellent Enterprise in Work Safety of Year 2023"

# EMPLOYMENT AND HUMAN RIGHTS

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



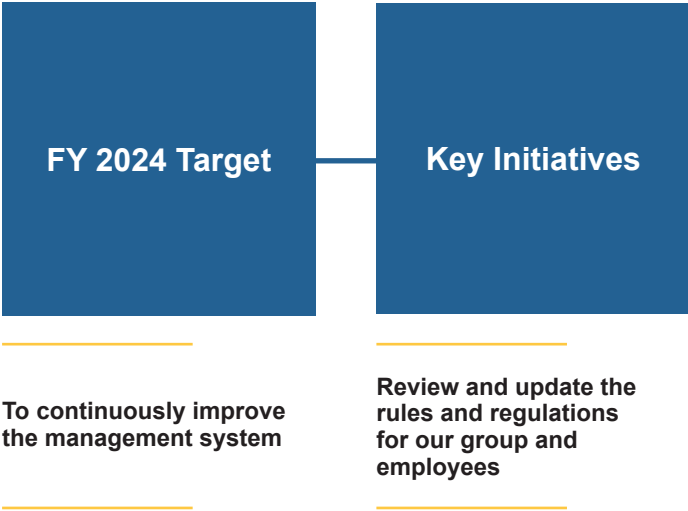
<b>3</b> GOOD HEALTH AND WELL-BEING 	<b>10</b> REDUCED INEQUALITIES 	<b>8</b> DECENT WORK AND ECONOMIC GROWTH 
<b>5</b> GENDER EQUALITY 	<b>6</b> CLEAN WATER AND SANITATION 	<b>16</b> PEACE, JUSTICE AND STRONG INSTITUTIONS 

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 their onboarding date. Due to the variance in employment and labor laws, each tannery has set up its own Human Resources (HR) department, fully responsible for local labor compliance.

The Company Handbook provides an overview of the code 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-violence and 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 forced labor and protect human rights across all operations of our group.

In 2023, 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 2024 Target:** To 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
ISA Heshan Trading Co., 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, night-shift allowance, annual leave, maternity leave, marriage leave, child-care leave, parent care leave for single child, 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 demand of production.

We organize activities to celebrate special occasions with our employees.



Monthly birthday parties for employees in our China facility



Lunar New Year gifts for the employees in our China facility





Special ceremony for employees who worked in ISA for 25 years



ISA is like a big, warm family. Whenever employees face difficulties, the company strives to support them to the best of its ability. In February 2023, the son of a couple employed at our China facility was diagnosed with cancer, necessitating a significant amount of treatment fees. Upon learning of this situation, management promptly rallied the entire company to contribute. In just two days, a donation totaling 185,000 RMB was collected and swiftly provided to the family. The company's swift and compassionate action provided warmth and renewed hope to this family during a challenging time.



## FY 2024 Target

- To keep adequate workforce to maintain production capacity
- To maintain/ improve employee welfare and comply with labor laws

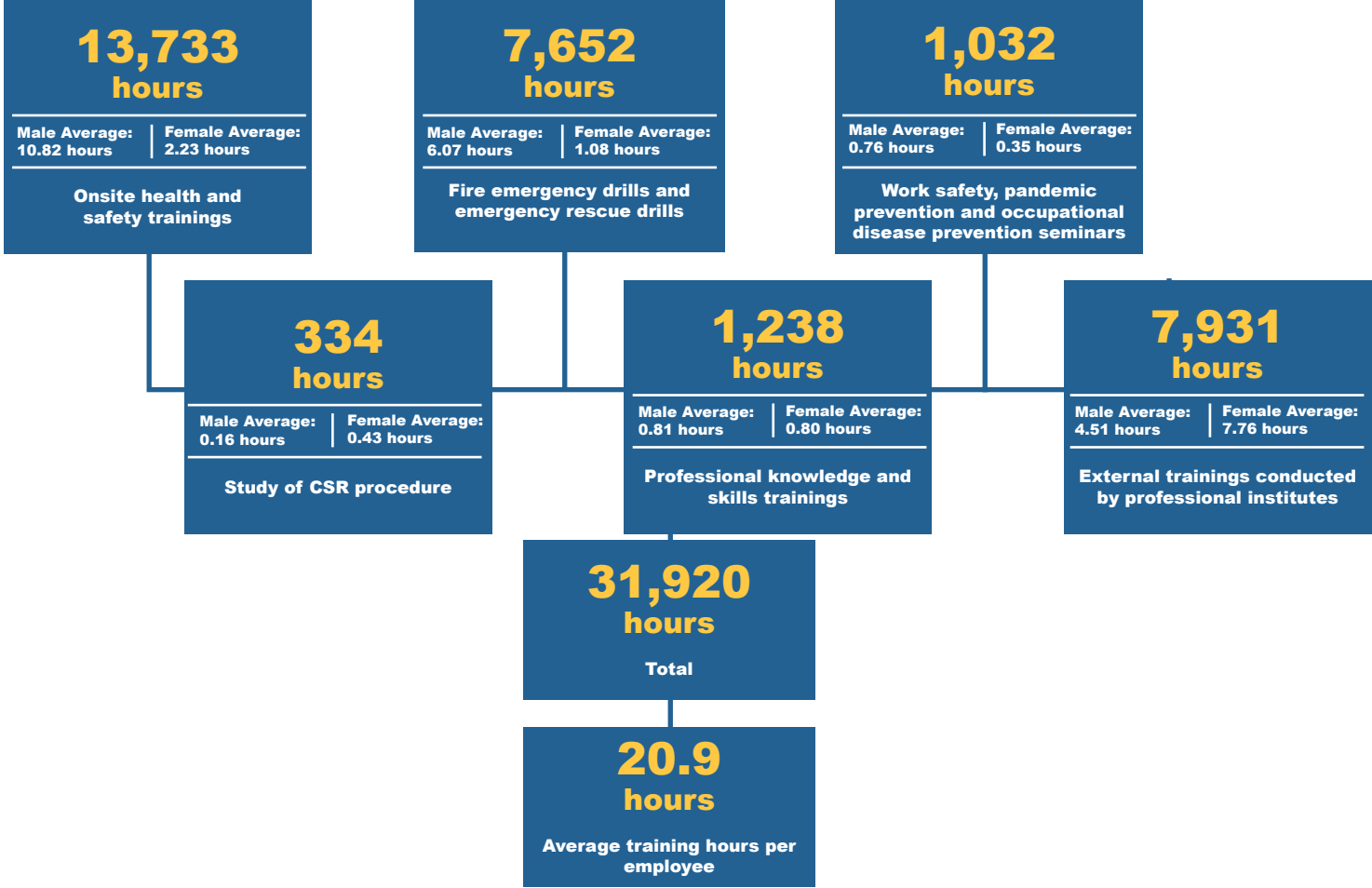
## Key Initiatives

- Provide more job opportunities
- Provide competitive salaries and 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 2023 covered orientation for new employees, occupational health and safety, firefighting training and drills, finance, production, HR, CSR procedures, LCA Training, etc.



FY 2024 Target	Key Initiatives
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To ensure that all employees are fully trained

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 different cultures of our employees from different countries. For example, for employees from different countries who 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.

### FY 2024 Target

**To ensure the safety of the workplace and the comfort of employees in dormitories**

### Key Initiatives

**Enforce policies and regulations to prevent inappropriate behaviors and provide access to a range of amenities**

# Diversity and Equal Opportunity

GRI 406-1

As of December 31, 2023, the Group had a total of 1,526 employees. In 2023, there was no reported incidents of non-compliance or grievances in relation to human rights or labor practices standards and regulations that would have a material or significant impact on the Group.

## Others

Indicators	Number of Employees
<b>Total employees</b>	1,526

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

## By gender

Indicators	Number of Employees
<b>Female</b>	324
<b>Male</b>	1,202

## By region

Indicators	Number of Employees
<b>Asia</b>	1,486
<b>US</b>	38
<b>Europe</b>	2

## By employment type

Indicators	Number of Employees
<b>Permanent/Fixed term</b>	1,526
<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, 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 2024 Target**

**Key Initiatives**

To prohibit discrimination in all operations

Educate employees on acceptance and inclusivity

To achieve better gender balance

Actively promote gender inclusivity in the workforce and establish clear goals

To promote diversity in the workforce

Provide more job opportunities for minorities and people with disabilities



# 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. In 2023, HSBWL, HTL and ISATR signed collective contract on Special Protections for Female Employees 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.



# SUPPLY CHAIN WITH CSR

Responded topics of GRI  
2-6, 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 originated 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:

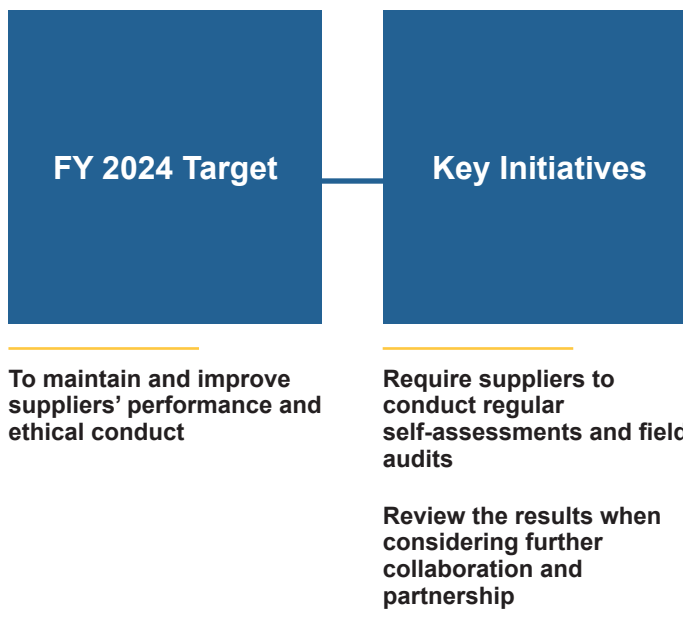
- declare their compliance with our supplier management requirements
- submit required compliance materials, including but not limited to Supplier Information List, RSL or ZDHC MRSL compliance declaration and LWG Compliance Letter
- pass ISO9001 and ISO14001 certifications and meet requirements of new 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 when 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 energy and water an article will save per square foot, comparing to the Bronze Rate (65%) in the latest LWG Protocol of 50.4 MJ/m<sup>2</sup> (4.68 MJ/sqf) for energy consumption and 134.1 L/m<sup>2</sup> (12.46 L/sqf) 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 our trusted tier 1 supply chain partners in the United States and South America, 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

- ▶ Proper and healthy diets are fed to animals

### 100% Vegetarian Diet

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

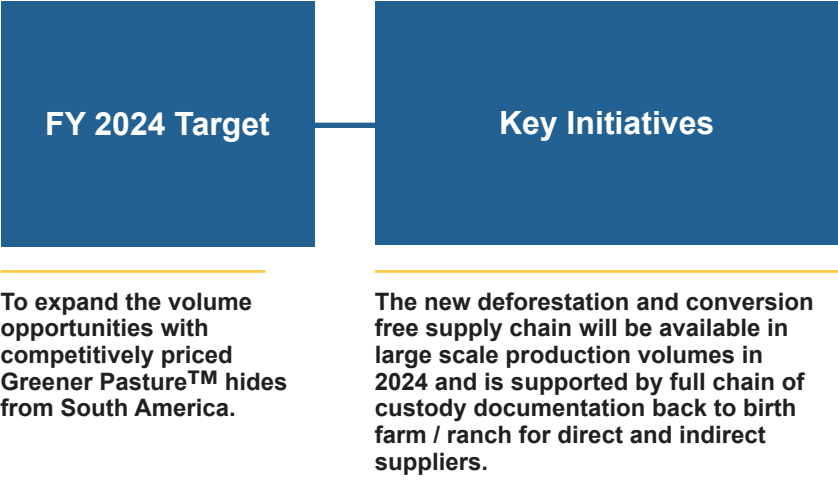
# Regenerative Leather

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.



## Cooperation with Suppliers

GRI 2-6

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. We continue to source all of our regenerative hides programs with our partner, 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.

We have updated our regenerative protocol requirements to Generalized Regenerative Agriculture Sourcing Specification (GRASS). The GRASS protocol criteria is as per below table:

<b>Requirement (A+B+C)</b>	<b>Acceptable Certifications/Programs</b>
A. 100% grass fed system that meets animal welfare, biodiversity, non-GMO, and includes prohibition of confinement feeding.	<ul style="list-style-type: none"> <li>• American Grassfed Association (AGA)</li> <li>• A Greener World (AGW) Certified Grassfed</li> <li>• Greenham Never Ever Beef Program</li> </ul>
B. Management Intensive Rotational Grazing (MIRG)	<ul style="list-style-type: none"> <li>• AGA Managed Grazing Module</li> <li>• Savory Environmental Outcomes Verification (EOV)</li> <li>• USDA Organic</li> </ul>
C. Regenerative Outcome Verification (currently only possible through soil testing)	<ul style="list-style-type: none"> <li>• Savory Environmental Outcomes Verification (EOV)</li> <li>• AgriProve Soil Testing Program</li> <li>• Comparable Soil Test (Appendix B/D)</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  
201-1, 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 where 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

## GRI 201-1

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 2023 are as follows:

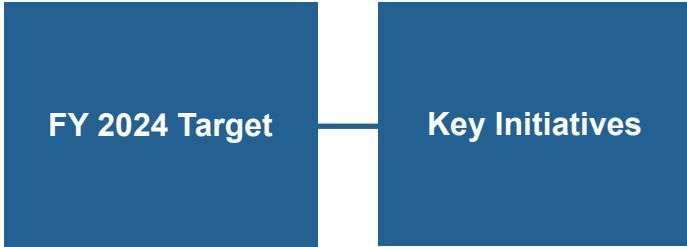
- Donation to Cradle of Hope in Macau
- Donation to support one of our suppliers participating in the Prouty 2023



Donation to Cradle of Hope in Macau



Donation to support one of our suppliers participating in the Prouty 2023



**FY 2024 Target**

**Key Initiatives**

**To maintain long-term partnerships with charities and NGOs**

**To provide more supports to communities**

**Allocate funds to annual donations**

**Explore partnerships with different non-profit organizations**



Our China facility (HSBWL) was awarded by the local government the Charity Award in 2023

# 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 to local communities.

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

- Scrap leather donation to James Madison University for leather course teaching
- Sponsorship of Two Ten Footwear Foundation
- Sponsorship of “929 Challenge” in Macau

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.



Scrap leather donation to James Madison University for leather course teaching



Sponsorship of “929 Challenge” in Macau

**FY 2024 Target**

**Key Initiatives**

**To actively get involved in volunteering programs to give back to society**

**Encourage employees to be volunteers and promote altruism**

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.

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



WWTP of Vietnam facility

## Air pollution control

All polluting emissions from production activities are treated to meet air emission standards before being released into the environment.



New activated carbon absorption device for VOC treatment at finishing of China facility (HTL), including exhaust gas collection cover for roller coating.

## Solid waste control

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



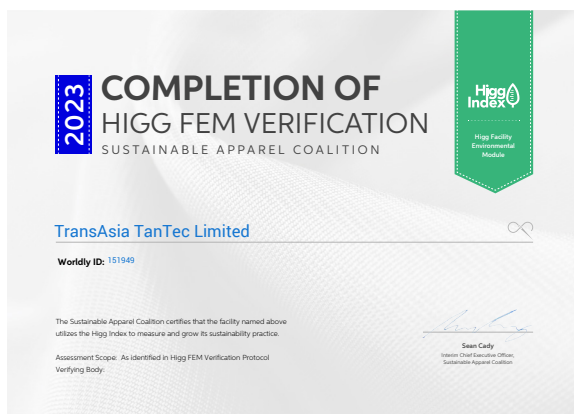
In compliance with local laws and regulations, Vietnam facilities adopt recycling and heat recovery practices for most of the waste:

- Non-hazardous sludge is transferred to the organic fertilizer production company
- Shaving, buffing dust and trimmings are transferred to the cement factory for generating 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

Due to restrictions imposed by local laws and regulations, our facility in China cannot recycle the same types of waste as our facilities in Vietnam. Instead, it focuses on minimizing waste generation internally and handling waste externally through more environmentally friendly disposal methods whenever possible. For example, comparing the same period in 2022 and 2023, the percentage of waste disposed through co-generation/energy recovery decreased from 29% to 12%, while the percentage of waste reused and recycled increased from 12% to 25%.

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

We continuously use the Higg Index which had been renamed as the Worldly “Higg Index”, a suite of standardized value-chain measurement tools, to assess our facilities’ sustainability performance by using the FEM 4.0 frame work.





# PERFORMANCE SUMMARY

Data as of 31 December 2023

GRI 201-1, 404-1

## Employees

Key Performances	Unit	2023
<b>Total employees</b>	person	1,526
<b>Male</b>	person	1,202
<b>Female</b>	person	324
<b>Disabled</b>	person	7

## Safe Production

Key Performances	Unit	2023
<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	2 (CN:1, VN:1)
<b>Breaches related to chemical management</b>	case	0
<b>Occupational disease</b>	case	0

## Training

Key Performances	Unit	2023
<b>Total hours for HR training</b>	hour	31,920
<b>Total hours for WSFSOH safety training</b>	hour	23,373
<b>Total hours for drills</b>	hour	6,353
<b>Total hours for pandemic prevention and occupational disease promotion</b>	hour	2,601

## Donation

Key Performances	Unit	2023
<b>Distributed in grants</b>	RMB	Over 235,000

# 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 committed to giving back to our community and improving the wellbeing of society 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.

# GRI CONTENT INDEX\*

**Statement of use** ISA Industrial Limited has reported the information cited in this GRI content index for the period from January 1, 2023 to December 31, 2023 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	Organizational details	Introduction, Reporting Scope, About ISA Group, Manufacturing Facilities of ISA
	2-2	Entities included in the organization'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, Manufacturing Facilities of ISA, Our Customers, Cooperation with Suppliers
	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.

GRI Standards		Disclosure Title	Report Section(s)
<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>GRI 201: Economic Performance 2016</b>	201-1	Direct economic value generated and distributed	Donations and Charities, Performance Summary. Due to confidentiality, economic value generated and retained are not disclosed, while information related to community investments are included in these sections.
Material Topics			
<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 LITE™ 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
	403-5	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

GRI Standards		Disclosure Title	Report Section(s)
<b>GRI 406: Non-discrimination 2016</b>	406-1	Incidents of discrimination and corrective actions taken	Diversity and Equal Opportunity
<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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