

ISA TanTec Group Corporate Social Responsibility Report 2020-2021



The Brand  Behind The Brand

ABOUT THE REPORT

Responded topics of GRI 102-1, 102-46, 102-50, 102-51, 102-52, 102-54

Introduction

GRI 102-1, 102-46, 102-51, 102-52

This report is the 2020 and 2021 Corporate Social Responsibility (CSR) Report released by ISA TanTec 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 102-46

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) and Saigon TanTec Leather Ltd. (STL).

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

Reporting Period

GRI 102-50

This report covers the period from January 1, 2020, to December 31, 2021, while some information in this report is beyond this period and is intended to improve comparability.

Data Source

Our management provides all information and data disclosed in this report. All formal sources of information come from within or outside ISA TanTec, including internal and external documents.

Standards of Report

GRI 102-54

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.



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MESSAGE FROM THE BOARD

Welcome from Uwe Hutzler, Chief Executive Officer

ISA TanTec always endeavors to bring about love and hope while sharing and giving.

Responded topics of GRI 102-14

ISA TanTec has grown from a small tannery in China to an award-winning international company with four tanneries worldwide. We value quality, sustainability and corporate social responsibilities.

Sustainability is our core business and the driver for growth and profitability. We continuously commit to a sustainable relationship with all stakeholders, including customers, suppliers, shareholders, employees and communities.

Since 2020, it has been a challenging time for everyone in the world. Unprecedented challenges brought by the pandemic to the world did not exclude the leather industry. We encountered a significant drop in the business in 2020 when the lockdowns in the main markets started. Extensive contingency plans allowed us to maintain operations in the facilities and ongoing business relationships on the supply chain side.

We have taken significant steps to safeguard and support people and communities with a solid foundation. Giving social responsibility a top priority is essential to our long-term success. Thus, we are taking the next steps in commitments to corporate social responsibilities by releasing the Corporate Social Responsibility Report 2020-2021.

Considering a post COVID-19 time horizon, the report focuses on numerous initiatives, including safety, health and social efforts, to react responsively to the current pandemic situation in a transparent manner.

We strive to establish, maintain and improve a culture of integrity and to share resources with society through different programs, including donations to the vulnerable individuals and supports to various non-governmental organizations (NGOs). We always endeavor to bring about love and hope while sharing and giving.

With this Corporate Social Responsibility (CSR) Report 2020-2021, we hope to provide you with a better insight into ISA TanTec's CSR initiatives in the past, present and more importantly – our outlook and commitment to a better future.

Chief Executive Officer
Uwe Hutzler



ABOUT ISA TANTEC GROUP

Responded topics of GRI 102-2, 102-3, 102-4, 102-5, 102-6, 102-7, 102-13, 102-16, 102-27



Founded in 1995, ISA TanTec Group 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 TanTec is an eco-friendly leather manufacturer represented by the trademarked LITE (Low Impact to the Environment) manufacturing concept. The concept defines a high standard of environmental sustainability in the manufacturing process. We have been recognized throughout the years by global brands as a partner providing high-quality leathers, with a good reputation for reliable services and outstanding

corporate social responsibilities. The LITE system is fully integrated into the manufacturing process, which is specially designed to reduce the usage of water, energy and chemicals. Our effort is consistently minimizing the impact to the environment by the Best Available Technology (BAT) in the industry and sustainably driving the business.

To meet customers' requirements for additional sustainable materials in response to current market trends, we have also been investigating and have already spent years in research with scientists to produce new sustainable additional materials along with our already recognized sustainable LITE leathers.

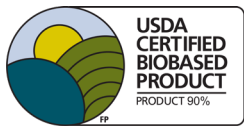
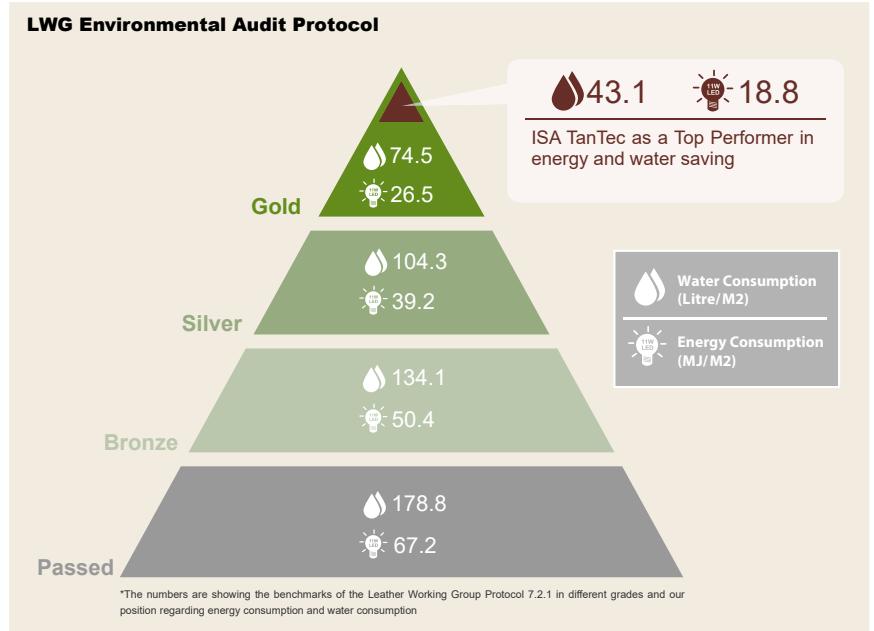
We have launched the Creation of Sustainable Materials (COSM™) division, a new division specializing in developing and producing sustainable additional materials (alternatives to petrochemical-based materials such as plastics that are non-environmental friendly). With the COSM™ materials already launched 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.

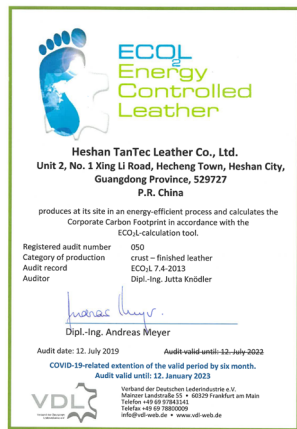
Certificates and Memberships

GRI 102-13

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

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





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, 999076, em Macau

Site: c/o Heshan Bestway Leather Product Ltd.
 No.1 Xingji Road, Heichang 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

Nishas
 TÜV Rheinland Cert GmbH
 Am Green Star 11 101-006

Authorized responsible office: TÜV Rheinland China Ltd., Room 301, 3F and Room 1205, 12F, Building 4, No. 15, Ronghua South Road, Beijing Economic Technological Development Area, Beijing/Tianjin/Heilongjiang and Hubei area of Beijing (Pilot Free Trade Zone), 100176, P. R. China



Certificate

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

Organization: **ISA TANTEC LIMITED**
 Avenida Da Praia Grande No. 619, Edifício Commercial Si Toi, 5 Andar, Unidade 3, 4.8 & 9, 999076, em Macau

Site: c/o Heshan Tante Leather Co., Ltd.
 Unit 2, No.1 Xingji Road, Heichang 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.

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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, 999076, em Macau

Site: c/o Heshan Trading Co., Ltd.
 Unit 3, No.1 Xingji Road, Heichang 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

Nishas
 TÜV Rheinland Cert GmbH
 Am Green Star 11 101-006

Authorized responsible office: TÜV Rheinland China Ltd., Room 301, 3F and Room 1205, 12F, Building 4, No. 15, Ronghua South Road, Beijing Economic Technological Development Area, Beijing/Tianjin/Heilongjiang and Hubei area of Beijing (Pilot Free Trade Zone), 100176, P. R. China



Certificate

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

Organization: **ISA TANTEC LIMITED**
 Avenida Da Praia Grande No. 619, Edifício Commercial Si Toi, 5 Andar, Unidade 3, 4.8 & 9, 999076, 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, 999076, em Macau

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

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

2022-01-10

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Certificate

Standard **ISO 14001:2015**
 Certificate Registr. No. **01 104 12700105**

Organization: **ISA TANTEC LIMITED**
 Avenida Da Praia Grande No. 619, Edifício Commercial Si Toi, 5 Andar, Unidade 3, 4.8 & 9, 999076, em Macau

Site: c/o SAIGON TANTEC LEATHER LIMITED
 Lot M2 & M3, Road No. 05, Viet Hung 2 Industrial Park, An Hai Village, Ben Cat Town, Binh Duong Province 72000, Vietnam

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

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

2022-01-10

Nishas
 TÜV Rheinland Cert GmbH
 Am Green Star 11 101-006

Authorized responsible office: TÜV Rheinland China Ltd., Room 301, 3F and Room 1205, 12F, Building 4, No. 15, Ronghua South Road, Beijing Economic Technological Development Area, Beijing/Tianjin/Heilongjiang and Hubei area of Beijing (Pilot Free Trade Zone), 100176, P. R. China



Certificate

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

Organization: **ISA TANTEC LIMITED**
 Avenida Da Praia Grande No. 619, Edifício Commercial Si Toi, 5 Andar, Unidade 3, 4.8 & 9, 999076, em Macau

Site: c/o TRANSAGIA TANTEC LIMITED
 Lot B6-1, 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

Nishas
 TÜV Rheinland Cert GmbH
 Am Green Star 11 101-006

Authorized responsible office: TÜV Rheinland China Ltd., Room 301, 3F and Room 1205, 12F, Building 4, No. 15, Ronghua South Road, Beijing Economic Technological Development Area, Beijing/Tianjin/Heilongjiang and Hubei area of Beijing (Pilot Free Trade Zone), 100176, P. R. China



Tanneries of ISA TanTec

GRI 102-4



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 690 employees for both entities*

*Data as of December 2021



Saigon TanTec Leather Ltd. (STL)

- Production started in January 2010
- The monthly production capacity is 6 million square feet*
- STL sits on approximately 44,000 square meters of land (approximately 15,000 square meters for production)
- STL is producing from wet-blue to finished leather for mainly footwear brands
- Approximately 630 employees*

*Data as of December 2021

Tanneries of ISA TanTec

GRI 102-4



Mississippi TanTec Leather, Inc. (MTL)

- Production started in January 2015
- The monthly production capacity is 1 million square feet*
- MTL sits on approximately 210,000 square meters of land (approximately 10,000 square meters for production)
- MTL is producing wet-blue to finished leather for footwear brands, whereas the majority of articles are for the domestic military market
- Approximately 50 employees*

*Data as of December 2021



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 sits on approximately 61,000 square meters of land (approximately 24,000 square meters for production)
- TTL is producing wet-blue to finished leather mainly for footwear brands and owns the COSM™ production for additional materials to leather
- Approximately 270 employees*

*Data as of December 2021

Our Customers

GRI 102-6

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

Vision & Mission

GRI 102-6, 102-16, 102-27

Our Vision

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

Our Mission

Sustainability is the core of our business. Never does it stay static. We continuously commit to building a sustainable relationship with our stakeholders.

SPECIAL TOPIC: FIGHT AGAINST COVID-19

3 GOOD HEALTH
AND WELL-BEING



Responded topics
of SDGs

Responded topics of GRI
403-1 403-3

Influence of Pandemic and Stability of Business

In 2020, the unexpected COVID-19 pandemic affected every one of us. When facing the pandemic outbreak in China, we were at the forefront fighting against it, proactively managing the COVID-19 health crisis. Our employees are our most valuable asset and we want to protect them from the crisis. Thus, before we resumed our production, all the pre-active strategies were already in place to mitigate and prevent employees from the exposure to the virus within the facilities.

Lockdown



In the early stages of the pandemic, we established a leading team to act responsively and implement prevention and control measures all-rounded to avoid the virus spreading around.

We started implementing the contingency plan even earlier than the local government in China. Following the first safety guidelines of WHO on January 20, 2020, our China tannery placed health checks on employees who had been

to Hubei Province. In addition, a series of emergency response actions were launched, for example:



Isolation room was set up in our China facility

- To prepare necessary health control and prevention articles, including masks, thermometers, sterilization kits, etc.
- To formulate the first version of the internal Contingency Response Plan with practices
- To set up various onsite measures: hand-cleaning facility, isolation areas, temperature monitoring measures and a daily on-duty team to monitor onsite cleanliness and social distance
- To implement strict control over the entry of employees and visitors into factories



Inspection and registration point was set up in our China facility

To minimize the influence on the operation of our group during the pandemic outbreak, a series of strict precaution measures against COVID-19 were in place:

- Real-time tracking of employees' health conditions
- Distribution of pandemic prevention materials
- Regular disinfection of the plants
- Strict control of personnel and vehicles that access the facility



Disinfection was conducted in our China facility

Resumption of Work and Production

We implemented various measures to guarantee the smooth resumption of work and production. Our China facility quickly resumed operation and production in a short period through solid system management, meeting governmental requirements for COVID-19 control and prevention. Although the pandemic heavily impacted the market, our operation remained stable as it used to be.

We continued to provide job opportunities and made a significant economic contribution to the community.

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

We continuously allocated adequate resources to sustain the strict implementation of preventions and controls during the post-pandemic of COVID-19, according to the dynamic governmental control policies, surrounding seven key aspects at all facilities that we are operating.



Due to the organized, active and effective control measures that were implemented at the right time, all our efforts were highly recognized by our stakeholders.



Vehicles and goods were being disinfected before entering our China facility



The guard was taking the temperature at the entrance of our Vietnam facility

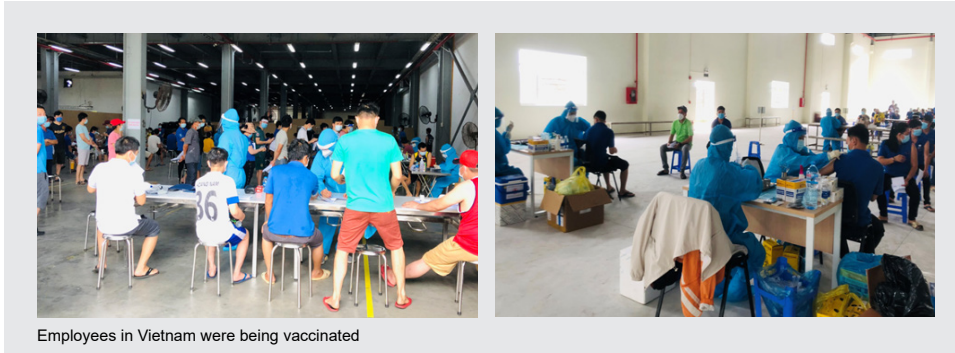


Segregation boards were installed on the tables in the canteen of our China facility

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

The first employee in the China facility was inoculated against COVID-19 at the end of 2020. A large-scale vaccination started at the first quarter of 2021. Over 90% of our employees in China got vaccinated within 6 months, and over 85% completed the booster vaccination within the next 6 months. No COVID-19 case was recorded in the China facility since the pandemic started in 2020.

Over 50% of employees in Vietnam facilities received the first dose of vaccination in August 2021, almost 100% of them completed the two doses of vaccination at the end of 2021.

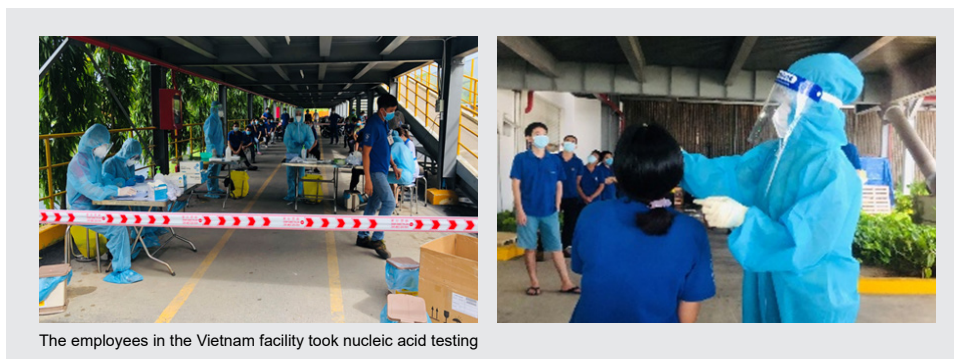
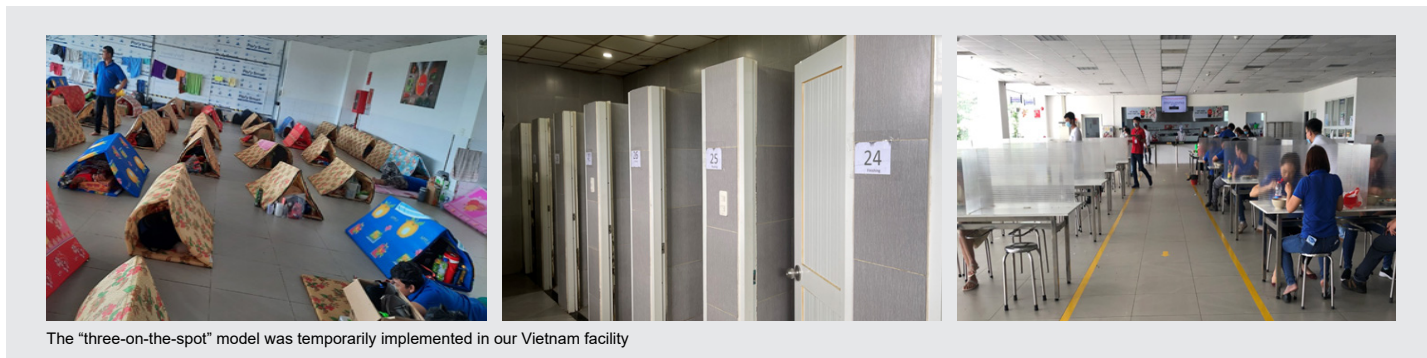


Employees in Vietnam were being vaccinated

In the middle of 2021, southern Vietnam was threatened by the pandemic. Southern Vietnam was in full lockdown starting at the third quarter, which significantly impacted both Vietnam tanneries. Because of the multi-location tanneries that we have been operating, we could move orders to our other operation in China.

In Vietnam, we implemented the “three-on-the-spot” model for employees to temporarily work, eat and sleep on-site to maintain limited operation during the three-month lockdown period. This arrangement was effective for factories to reopen and maintain operations while remaining compliant to the quarantine regulations for COVID-19 prevention and control.

The lockdown of the facility and “three-on-the-spot” model brought added challenges for employees working away from home and their families. To ease their pressure and improve their mental health and well beings, we provided them hardship allowance, meal allowance, exercise facilities, etc.



There were some cases being found in STL during the three-month lockdown period. However, we were able to implement a different but effective contingency control to minimize the damage; all the facilities returned to normal capacities and lead times in the fourth quarter of 2021.

Although it is considered a dark period for our group, it brought together all the teams and empowered our group with more capability to face the challenges during the new normalization period of the pandemic.



FIGHT AGAINST COVID-19



CSR GOVERNANCE

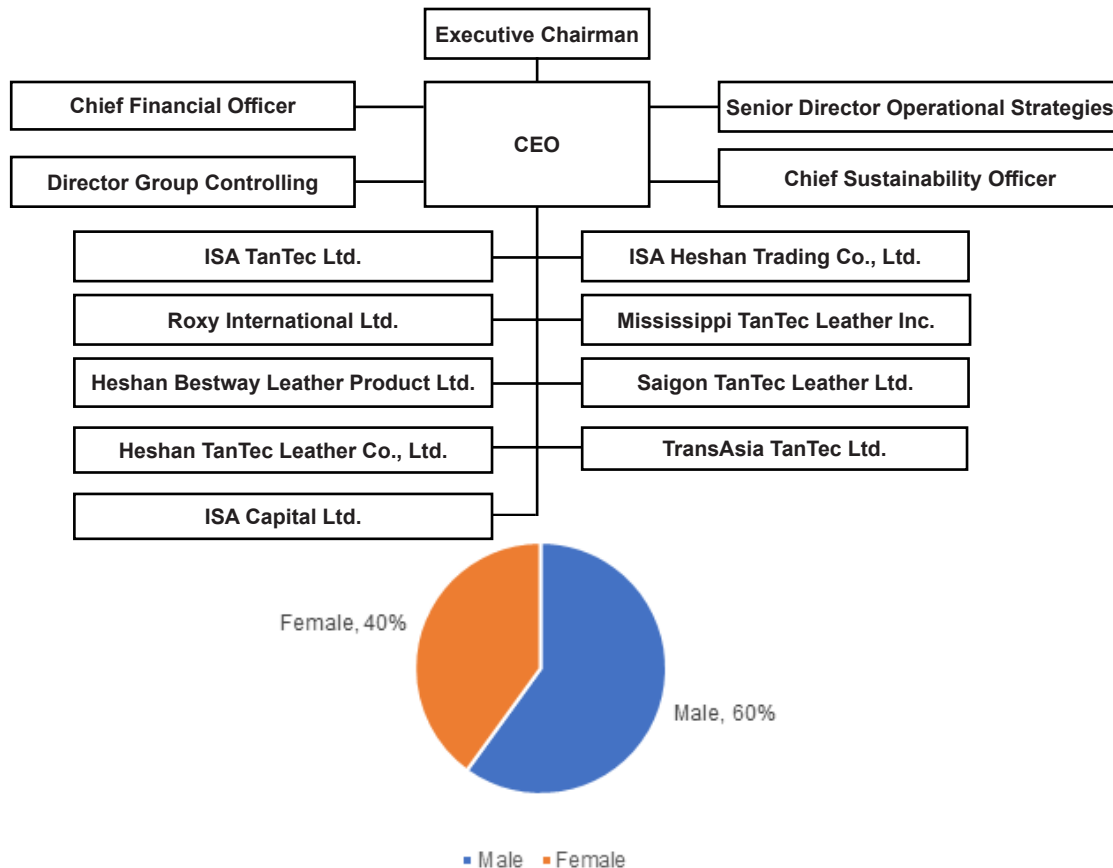


Responded topics of SDGs

Responded topics of GRI
102-15, 102-17, 102-18,
102-20, 102-23, 102-30,
205-1, 205-2, 205-3

Management Governance Framework

GRI 102-18, 102-20, 102-23



Rules and Regulations of ISA TanTec

Key policies and regulations are below:

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

Rules and Regulations of ISA TanTec

Key policies and regulations are below:

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

Executive Management by Experienced Professionals

Members of our executive management have profound strategic and operational experience and good reputation in the leather industry. Please refer to our website for more information: <https://www.liteleather.com/about-us/our-management>

Anti-Bribery and Corruption

GRI 102-11, 102-17, 205-1, 205-2, 205-3

Our group operates in a wide range of legal, regulatory and business environments, many of which may challenge our business operation ability with ethics and integrity. We strive to fulfill ourselves according to the latest highest standards of business ethics and integrity. Throughout our operations, we seek to prevent and avoid the occurrence of any impropriety 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 considers also the compliance standards of Navis Capital and its limited partners' compliance policies.

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

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 follow-up actions, which may include reporting the matter to Board of Directors and/or to appropriate governmental/regulatory bodies.

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

Tax Compliance

GRI 102-30

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

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

Transfer Pricing

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

Level of Tax Risk Accepted

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

Approach to Dealing with Tax Authorities - Trust and Transparency

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

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

Awards



ISATR – Grade A taxpayer in 2020



HTL – Grade A taxpayer in 2020



HSBWL – Grade A taxpayer in 2020



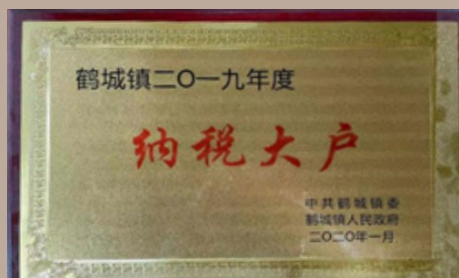
ISATR – Grade A taxpayer in 2021



HTL – Grade A taxpayer in 2021



HSBWL – Grade A taxpayer in 2021



HSBWL – Top performers of tax contributions in Hecheng Town in 2019

Anti-Money Laundering

Our group will never deal with any individual 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 TanTec 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 mentioned above. During the past and current reporting periods, no lawsuit has been brought against any entities within our group for any commercial bribery, corruption, blackmailing, fraud or money laundering.

PRODUCT RESPONSIBILITY

Responded Topics of GRI
301-2, 416-1, 418-1



12 RESPONSIBLE
CONSUMPTION
AND PRODUCTION



Responded topics
of SDGs

17 PARTNERSHIPS
FOR THE GOALS



Sustainable Operational Management (SOM) Strategy

We attribute the excellence of our operations to the relentless pursuit of innovation in leather 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 leather manufacturer in a fast-changing market, we confront from time to time different operational challenges.

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

GRI 301-2

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



Water mixer system upgrade

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



PHK toggling machine upgrade

Drying without using high temperature, running with low energy consumption



Thema dry tunnel upgrade

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



600 m² Solar panel heater on the roof for hot water

Generating approximately 1,565,000 kWh of heat energy in 2020 and 2021 to lower carbon footprints



Windmill

Windmill to generate power for water pumps and road lights

FY 2022 Target: Focus on the sustainable upgrade of machinery to advance the clean energy structure of our group

Key Initiatives: Install a photovoltaic power generator and reduce the use of traditional energy

Chemical Management

GRI 416-1

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

Chemical Management System

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

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

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

Chemical Safety Measures

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

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

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

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

We classify the chemicals based on different categories of risks:

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

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

Restricted Substances Management

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

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

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

Hazardous Chemical Management

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

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

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



In our China tannery, 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



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



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

Participation in Zero Discharge of Hazardous Chemicals (ZDHC)

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

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



Customer Privacy

GRI 418-1

Customer privacy has always been strictly observed by our group. There is an increasing public concern about data protection and privacy. Following the ISA TanTec Group Code of Conduct, we are committed to respecting people's privacy and confidentiality of personal information. All sensitive personal data and information are kept 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
- (b) The general information technology infrastructure is committed to ensuring and protecting data and information security technologically

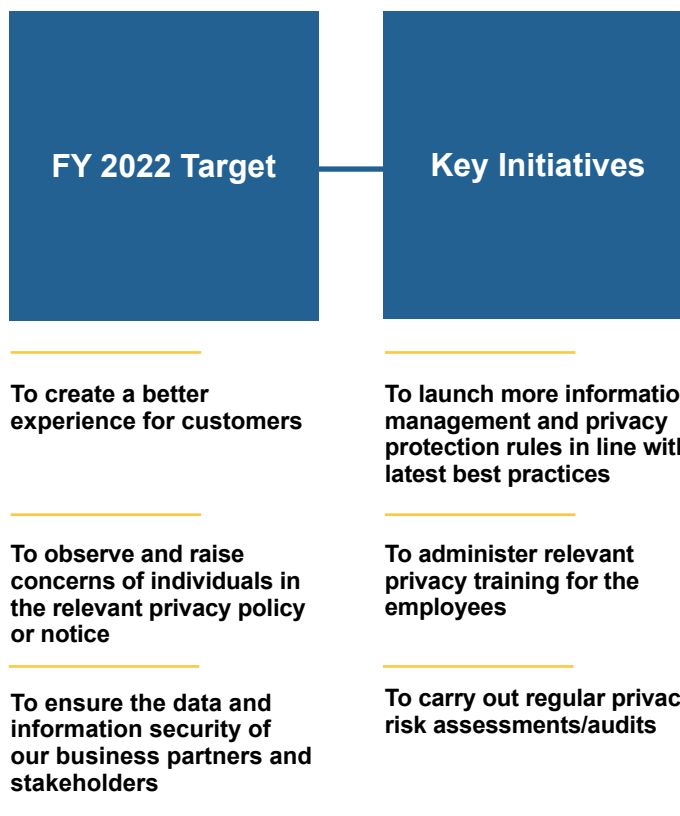
Customer Privacy Policies

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

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

Privacy Breaches

We are proud to report that for financial year 2020-2021, the number of complaints received relating to breaches of customer privacy from both outside parties and regulatory authorities remained low. No incident of identified leak, theft, or loss of customer data and information has happened. This record applies to the 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.



OCCUPATIONAL HEALTH AND SAFETY (OHS)

Responded topics of GRI
403-1, 403-2, 403-3, 403-5,
403-6, 403-8, 403-9, 404-1



3 GOOD HEALTH AND WELL-BEING



6 CLEAN WATER AND SANITATION



Responded topics
of SDGs

Introduction to Occupational Health and Safety (OHS) Management System

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

Primary duties of HS:

- Deal with WSFSOH topics to fulfill legal compliance, including contractor safety
- Implement the WSFSOH management system in all departments to carry out the internal system such as SOPs
- Set up emergency plans for regular drills and actual accidents
- Organize OHS trainings and regular meetings
- Perform in compliance audits

We have established the Occupational Health and Safety (OHS) Management System and other operational guidelines to avoid injuries and accidents and maintain a safe and healthy workplace for employees.



HSBWL, one of our China facilities, was awarded as the Excellent Safety Production Enterprise in 2021 by the Emergency Management Bureau of Heshan City

GRI 403-1, 403-2, 403-3, 403-8

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
- PPE Management Procedure
- Accident Contingency Plan of Work Safety
- Medical Contingency Management Rules
- Accident and Near Miss Reporting and Management
- Regulation on Fire Fighting Management
- Lock-out Tag-out (LOTO) Management Rules
- Occupational Hazards Monitoring Rules
- Occupational Health Reporting Rules
- Occupational Health Surveillance and Filing Rules

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

FY 2022 Target

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

Key Initiatives

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

Chemical Safety of Employees

GRI 403-9

Chemicals are often used and handled in different steps of the production process. If employees are not aware of the possible harm arising from their exposures to different chemical substances under work conditions, hazards may occur and cause accidents in the workplace. We established internal management systems to evaluate potential work-related hazards and developed some safety procedures and risk control measures.

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.

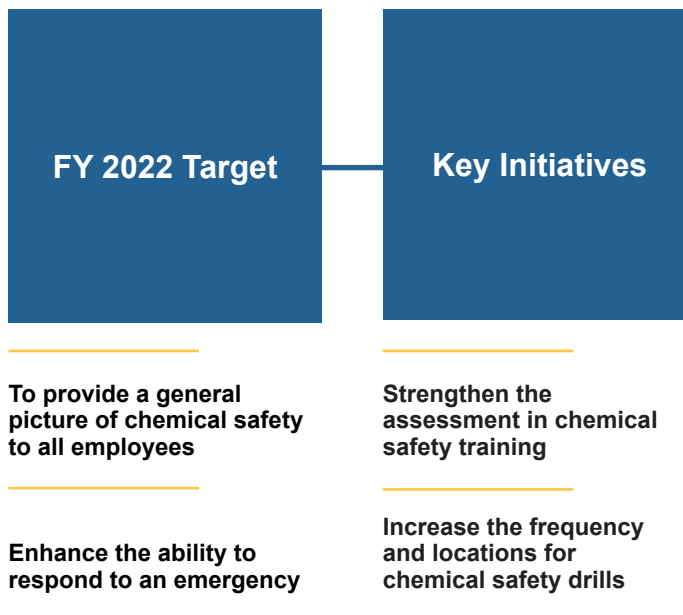
To ensure our chemical safety management is effectively implemented at the workplace, we run a daily chemical safety inspection to identify the potential hazards and assess the risks arising from the production process and make necessary adjustments in time.

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

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

We conduct chemical drills regularly for employees to familiarize themselves with emergencies. In 2020 and 2021, HSBWL, HTL and STL conducted 12 chemical drills in different production processes and locations. Through regular practices, we assess the effectiveness of our chemical safety contingency plans and issue reports to make further improvements.

With an effective safety management system, our group recorded only 5 slight injuries/ accidents were chemical related at HSBWL, HTL, STL and TTL in two years, and among them, only 1 case was caused by a slight H2O2 leakage while loading goods.



To provide a general picture of chemical safety to all employees

Enhance the ability to respond to an emergency

Key Initiatives

Strengthen the assessment in chemical safety training

Increase the frequency and locations for chemical safety drills

Occupational Health Monitoring of Employees

GRI 403-6

In conformity with the local occupational disease control and prevention law and in line with the relevant technical standards and specifications of the Occupational Health Monitoring of China and Vietnam, we established the Occupational Health Monitoring of Employees to prevent, control and eliminate occupational hazards:

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

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

Annual Key Performance of Occupational Health Management

- No employees suffer from occupational diseases
- Full compliance with the legal requirements of occupational hazard monitoring in the workplace
- Positive results of physical examination for positions with potential occupational hazards
- Professional certificates required for special work positions

Contingency Preparedness and Response (Including OHS Training)

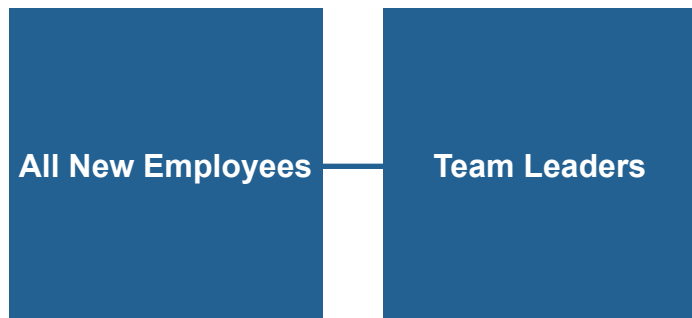
GRI 403-5, 403-8, 404-1

We emphasize occupational safety and developed a series of contingency measures based on 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 Firefighting Booster Pump Room
- Booster Pump Safe Operation Procedure

General OHS Training



Three levels of safety education

Education on fundamentals of occupational health, covering national safety laws and regulations

Safety awareness, safe operations and emergency procedures

We have continuously instilled awareness and knowledge of OHS in our employees and conduct exercises and assessments. HSBWL, HTL, STL and TTL provided training courses in different aspects, including safety, firefighting and first aid, with a total of 28,536 training hours in 2020 and 2021.



Production Safety Drill

Regular drills at the workplace are indispensable for protecting employees from emergencies and accidents. In 2020 and 2021, our group organized a wide range of production safety and emergency drills, for example:

- Forklift truck accident
- Mechanical accident
- Chemical leakage emergency
- Special emergency of electric shock accident
- Heatstroke
- On-scene care in confined space accident
- Contingency handling of hydrogen sulfide (H₂S) poisoning accident
- Storage shelf-collapse accident and fall from height accident



H₂S evacuation drill carried out in our China facility

Fire Safety Drill

We carry out various fire emergency evacuation drills, including natural gas leakage drills, dormitory fire escape drills, dust explosion and evacuation drills, etc.



Fire emergency evacuation drills were carried out in our China facility

Contingency Response Training

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

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

In 2020 and 2021, HSBWL, HTL, STL and TTL conducted a total of 57 drills.



Contingency response trainings were carried out in our China and Vietnam facilities

HSBWL was awarded the Enterprise with Work Safety Excellence of 2021 by the Contingency Management Bureau of Heshan.

EMPLOYMENT AND HUMAN RIGHTS

Responded topics of GRI

102-8, 102-35, 102-41,
401-2, 404-1, 404-2,
406-1, 407-1, 408-1,
409-1, 412-2



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

Responded topics of SDGs

Management System

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

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



Labor Standards

GRI 408-1, 409-1

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

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

In 2020 & 2021, 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.

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. 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 2022 Target: Prohibit child labor in all operations

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

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

Wages, Benefits and Working Hours

GRI 102-35, 401-2

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

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

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

We organize activities to celebrate special occasions with our employees.



Birthday parties held for employees in our China facility



Birthday gifts for employee in our Vietnam facility



Gifts for female employees in Vietnam on International Women's Day





To celebrate our CEO's 10th anniversary working for our group, we made a donation under his name to a local welfare institute to remark his contributions to our group



Celebration parties for loyal employees in China



Chinese Lunar New Year

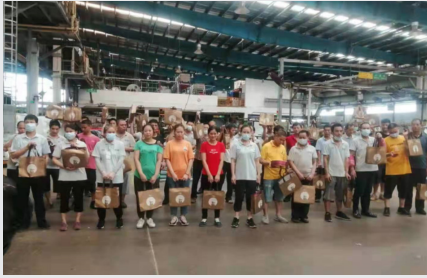


Gifts for loyal employees in Vietnam



Vietnamese New Year (TET)





Mid-Autumn Festival in China



Sharing fruits with employees in harvest seasons in China



Wages and Benefits During the COVID-19 Pandemic

Being socially responsible is one of the key driving forces and business philosophies of our group. We adopted a “no dismissing any employee” policy even in the most challenging period of the pandemic. We also offered flexible working mode to office staff upon approval.

From May to July 2020, the 4-working-days-per-week policy was implemented in the China facilities to overcome economic pressure, while all front-line operators’ wages were unchanged even though they worked only 4 days per week during the period. From May to June 2021, employees in our Vietnam facilities worked 5 days per week and got 100% basic salaries. The policies were temporary and our group returned to normal gradually afterward.

FY 2022 Target

Keep adequate workforce even during the pandemic

Maintain/improve better employee welfare and comply with labor laws

Key Initiatives

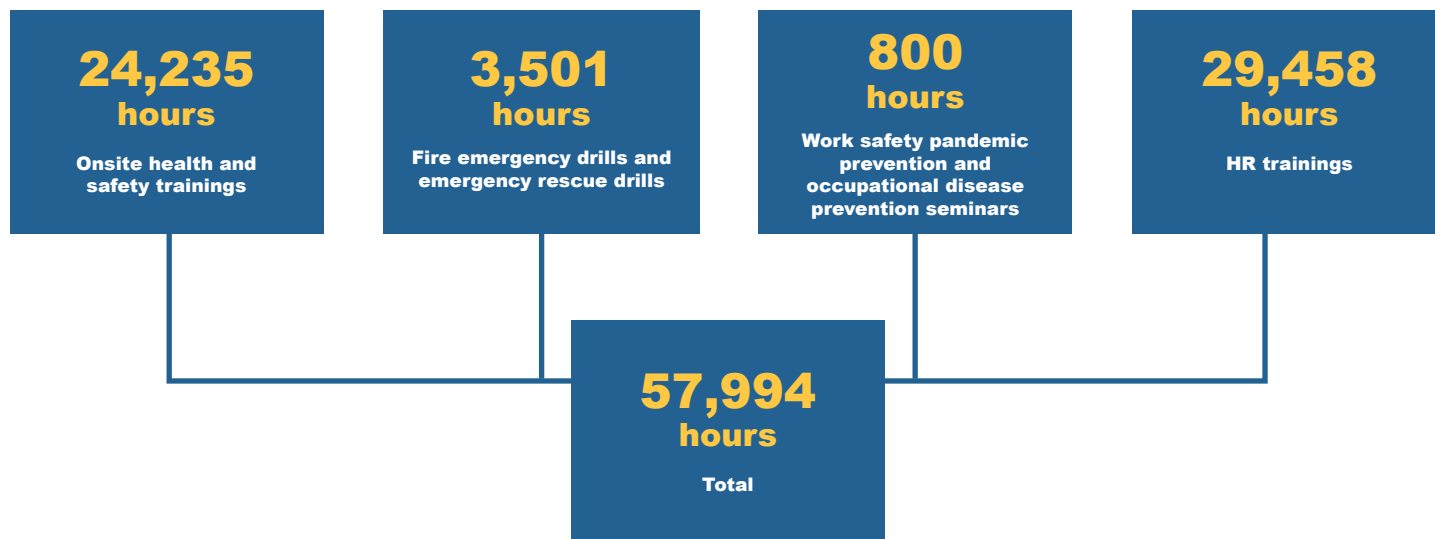
Provide more job opportunities
Provide employees with a more competitive salary

Provide employees with a better package of benefits

Development and Training

GRI 404-1, 404-2, 412-2

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 2020 and 2021 covered orientation for new employees, occupational health and safety, project management, firefighting training and drills, finance and audit, production, etc.



Note: The data mentioned above is from 4 entities (HSBWL, HTL, ISATR and STL) in 2020 and 5 entities (HSBWL, HTL, ISATR, STL and TTL) in 2021.

FY 2022 Target	Key Initiatives
Complete the scheduled training plans even during the pandemic	Redesign training courses to accommodate pandemic control regulations such as smaller class sizes and bigger venues
Ensure that all employees are fully trained	Strictly adhere to the training policy and review and update the policy as changes arise

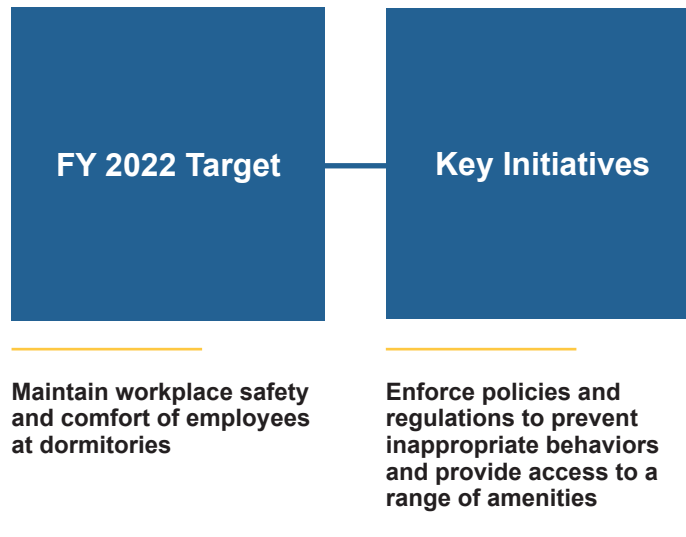
Workplace and Residence

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 the different cultures of our employees from 12 countries. For example, for employees from different countries have different dietary habits, we set up kitchens to accommodate their needs.

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

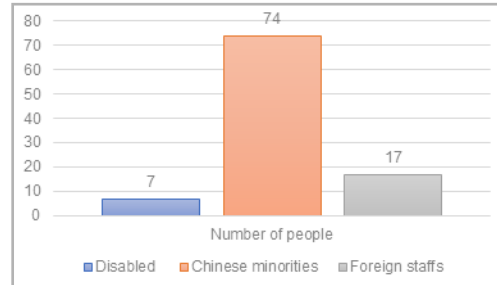
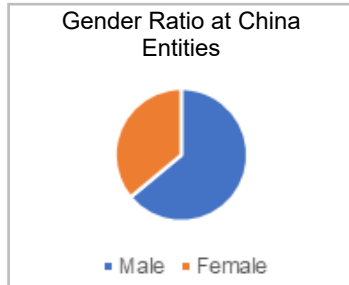
In case of emergency, there are safety control facilities such as smoke detectors in each room and emergency exits with evacuation plans to safeguard our employees.



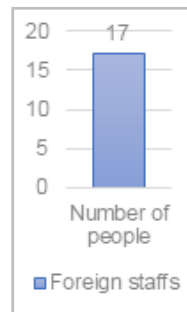
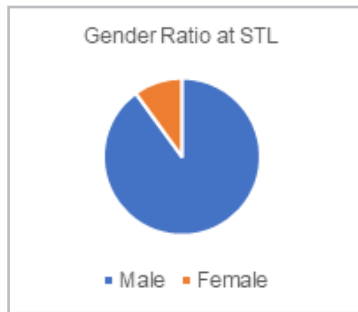
Diversity and Equal Opportunity

GRI 102-8, 406-1

In 2021, 892 people (68% male and 32% female) worked in HSBWL, HTL and ISATR, including 7 with disabilities; 74 were from Chinese minorities and 17 were from 9 foreign countries.



In STL, there were a total of 621 (88% male and 12% female) employees, including 17 from 3 foreign countries.



It is our policy that all applicants for employment will be considered regardless of race, color, sex, religion, age, national origin, handicap, disability, veteran status, genetic or family history information 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.



HER Project in China

We implemented the HER Project together with our customer DECKERS and the Business for Social Responsibility (BSR) in our China tannery. The project aimed to empower women by enhancing their knowledge of health, financial inclusion and gender equality. For example, training on the female reproductive system and related health care and the prevention of gynecological diseases have been provided by BSR experts.

240

Total trained headcount

517

Total training hours



Freedom of Association and Collective Bargaining

GRI 102-41, 407-1

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

FY 2022 Target

Key Initiatives

Maintain employees' freedom of association

Implement collective bargaining policy

Continue the operation of approved trade unions

Enforce legal agreements with employees and trade unions on collective bargaining

SUPPLY CHAIN WITH CSR

Responded topics of GRI

102-9, 102-10, 102-12, 102-21, 102-29, 301-2, 302-4,
302-5, 303-5, 308-1, 308-2, 412-1, 412-2, 414-2

Responded topics
of SDGs

17 PARTNERSHIPS
FOR THE GOALS



12 RESPONSIBLE
CONSUMPTION
AND PRODUCTION



Supplier Environmental Assessment

GRI 102-10,102-12, 102-21, 308-1, 308-2, 412-1, 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, SDS information and test reports	Continuously deepen environmental efforts

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

Non-compliance Incidence

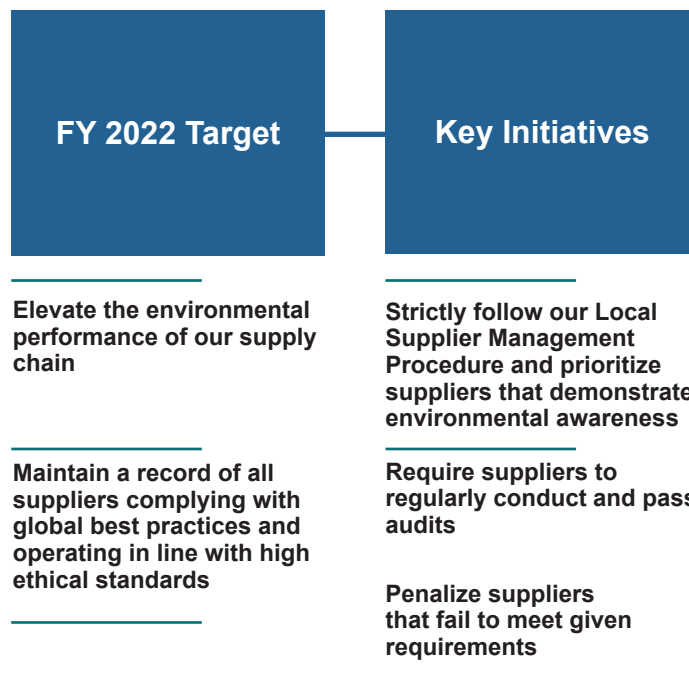
All of our suppliers adhere to responsible sourcing; none of them were reported to have sourced directly from illegal farms, causing biodiversity loss and deforestation. Furthermore, any supplier located in the proximity of the Amazon Biome is required to prove beyond any reasonable doubt that no hides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

Employment and Human Rights of Supplier's Employees

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

Ethics and Compliance of Suppliers

We value our suppliers and strive to conduct business by following the highest standards of ethics. To prevent bribery and corruption, we comply with and strictly follow international sanction laws.



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 Compliance Letter 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 Letter for wet-blue and chemicals
- provide a Certificate of Analysis for chemical products
- use recyclable materials for packaging and inform us where there are new sustainable materials/products

Self-assessments

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

Field Audit

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



The LITE™ Concept: An Evolution

GRI 302-4, 302-5, 303-5

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

LITE Index

We have been consistently reducing the impact of our manufacturing process on the environment. The LITE index is the data that shows the lighting hours and water an article will save to make one pair of shoes (2.5 square feet of finished leather), compared to the latest LWG Pass Score (50%) of 67.2 MJ/m² for energy consumption and 178 L/m² for water consumption.



Remarks: The calculation is made based on the LITE Index Calculation Methodology audited by Ernst & Young.

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.



Traceability of Materials

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



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

Greener Pastures™ Protocols

Driving Factor

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

Traceability

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

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

BQA Certification

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

- ▶ Humane conditions and handling in animal transportation

BQAT Certification

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

- ▶ Harvesting of animals is done humanely

Humane Harvesting

The harvesting of animals meets the USDA Humane Handling program protocol, verified by third-party independent auditors

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

No Antibiotics

Animals are raised without the use of antibiotics

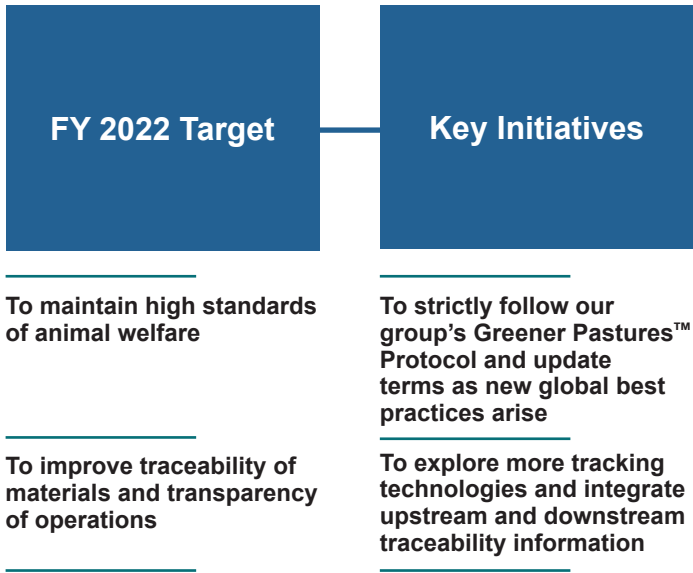
- ▶ Proper and healthy diets are fed to animals

No Hormones

Animals are raised with no added hormones or steroids

100% Vegetarian Diet

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



Cooperation with Suppliers

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

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

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

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
102-43, 102-31,
203-1, 413-1



Responded topics
of SDGs

Vision of ISA TanTec

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.

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

Donations and Charities

GRI 203-1

We have always been dedicated to sharing love and shouldering social responsibilities, as well as giving back to the local communities where our business operates. Some examples of our community initiatives in 2020 and 2021 are as follows:

- Donations to Deutsche Cleft Kinderhilfe e.V., a charity committed to helping children with cleft lip and palate from all over the world to receive comprehensive treatment
- Donations to World Vision Vietnam and World Vision Thailand
- Donations of winter coats through the Spring Buds Program to help over 200 destitute children in Sichuan Province in China
- Donations of winter coats through Jiangmen Child Welfare Institute to help over 130 local orphans and disabled children
- Donations to Heshan Charity Association for poverty alleviation
- Financing the HER project
- Donations to Macau Local Children and Youth Homes include “S. José Ká-Hó Children and Youth Home” and the Cradle of Hope Association
- Donation to Caritas Macau



Donation to Deutsche Cleft Kinderhilfe e.V.



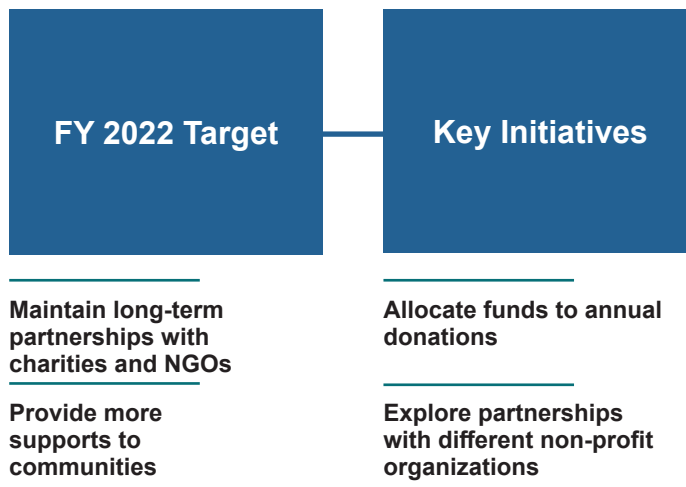
Donation to Caritas Macau



Donation to S. José Ká-Hó Children and Youth Home in Macau

To fulfill our commitment to COVID-19 relief efforts, we allocated our funds to a wide range of programs:

- Donations to the Heshan local government for fighting COVID-19
- Donations of medical necessities to local COVID-19 test centers
- Donations of daily needs to May Ngan Shelter through Sharing Love Program
- Sponsoring the WeCare project we co-organized with VF Group



Active Engagement with Stakeholders

GRI 102-43

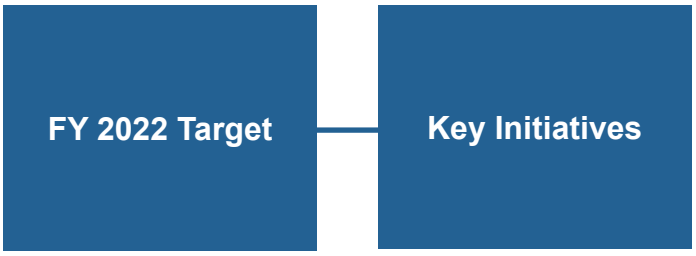
Our group aims to play an active role in championing advancements and positive changes in the local communities. We offer help and support to charities and non-profit organizations to promote social equality and make a positive difference in local communities.

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

- Providing donation for Deutsche Cleft Kinderhilfe e.V., which is a charity committed to helping children with cleft lip and palate from all over the world to receive comprehensive treatment
- Offering job opportunities to 7 disabled employees in Heshan
- Sponsorship of educational events such as the 928 Challenge, which is the biggest entrepreneurship competition ever organized in Macau for university students
- Working jointly with mainstream media in Southern China to promote cross-border industrial cooperation between China and the EU
- A delegation group of Heshan Court visited and held a judicial forum in our China facility with the purpose to understand the enterprise situation and judicial needs
- Visiting and bringing gifts to children in Guangdong Children's Autism Rehabilitation Center
- Sharing our group's knowledge in green production with students of Avans Hogeschool (Netherlands)
- Supporting the project of Insight China by offering students of the University of Applied Sciences and Arts Northwestern Switzerland (FHNW) the opportunity to learn more about China's cultural and economic diversity

- Offering tannery tours to students and staff members of Guangzhou Panyu Polytechnic

Because of health and safety issues arising from COVID-19, we halted many of our planned volunteering activities in 2020 and 2021. As the situation of COVID-19 continues to improve, we have a range of volunteering activities lined up for 2022 to continue our momentum in 2019. 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.



Actively get involved in volunteering programs to give back to society

Encourage employees to be volunteers and promote altruism



Judicial forum held by Heshan Court (China) in our China facility



Our management was interviewed by mainstream media in Southern China to promote cross-border industrial cooperations between China and the EU



Sponsorship of the 928 Challenge in Macau for university students

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

Responded topics of GRI
102-29, 102-31, 303-5



Responded topics
of SDGs

Overview of Environmental Management

GRI 303-5

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. We have also established the ISO14001 Environmental Management System within our group and set emission reduction targets.

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

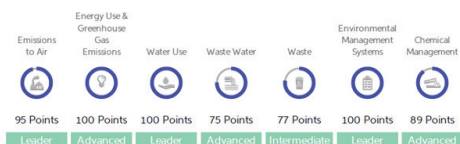
Overview of the Performance of Facility Environmental Module (FEM)

GRI 102-29

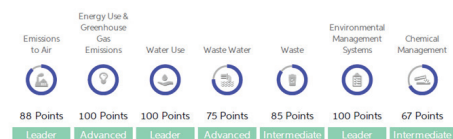
We use the Higg Index, a suite of standardized value-chain measurement tools, to assess our facilities' sustainability performance. The latest results are as follows:



Environmental Impact Areas



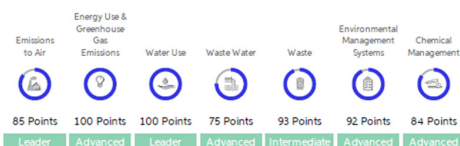
Environmental Impact Areas



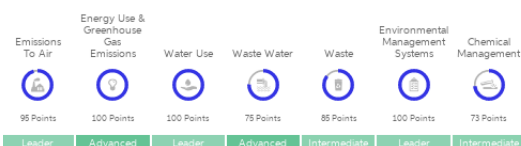
HSBWL, one of our China facilities, was awarded as the Water-saving Enterprise of 2021 by the Water Resource Bureau and the Industry and Information Bureau of Jiangmen City.



Environmental Impact Areas



HIGG FACILITY ENVIRONMENTAL MODULE



PERFORMANCE SUMMARY

Employees

Key Performances	Unit	2020-2021
Total employees	person	1,489 / 1,765
Male	person	1,101 / 1,376
Female	person	388 / 389
Disabled	person	7 / 7

Safe Production

Key Performances	Unit	2020-2021
Qualification rate of occupational hazards detection	%	100
Physical examination rate of on-the-job personnel at occupationally hazardous posts	%	100
The certificated employment rate for special work positions	%	100
Accidents related to chemical management	case	5 (CN:4, VN:1)
Breaches related to chemical management	case	1 (CN)
Occupational disease	case	0

Training

Key Performances	Unit	2020-2021
Total hours for HR training	hour	29,458
Total hours for health and safety training	hour	24,235
Total hours for drills	hour	3,501
Total hours for epidemic prevention and occupational disease promotion	hour	800

Donation

Key Performances	Unit	2020-2021
Distributed in grants	RMB	Over RMB 400,000

VISION OUTLOOK

The global spread of COVID-19 has heavily affected the world's economy and people's lives, enriching the meaning of the sustainable development strategy. As a leading manufacturer of eco-friendly and sustainable leather, we demonstrated our determination to embrace the new sustainability era. We based our daily operations on BAT while continuing to explore to fulfill corporate social responsibilities. We will continue to focus on enhancing the quality of the products, transparency of the supply chain, well-being of employees and other social responsibilities.

We cherish the value of sustainable materials and recognize the importance of innovating and exploring possibilities of developing additional natural materials besides leather. We invest in new innovative technologies and additional sustainable materials to meet customers' needs in response to the latest market trends. In 2021, we launched a new division, COSM™, which specializes in the development and production of additional sustainable products alongside our sustainable leather production. HyphaLite™ TC is the first product launched under COSM™.

We regard our employees as the most valuable assets for corporate development, and thus, we will further retain talents by offering competitive salaries, compensations, benefits and career development opportunities and encouraging work-life balance. With an already well-established occupational health and safety policy, we will further enhance our preventative measures, safety operation procedures and industrial accident avoidance system to lower preventable work-related injuries.

With a long-standing commitment to giving back to the community, we will make every effort to improve societal well-being in different areas. We look forward to witnessing the birth of a world in which no one is left behind. Sustainable development is an ongoing journey. We will continue to address the industry's challenging sustainability issues by sharing progress and metrics to generate more meaningful long-term value for our stakeholders.

GRI Standards	Disclosure Title	Report Section(s)	
Organizational Profile	102-1	Name of the organization	Introduction
	102-2	Activities, brands, products and services	About ISA TanTec Group
	102-3	Location of headquarters	Tanneries of ISA TanTec
	102-4	Location of operations	About ISA TanTec Group
	102-5	Ownership and legal form	About ISA TanTec Group
	102-6	Markets served	The Customers, Vision & Mission
	102-7	Scale of the organization	About ISA TanTec Group
	102-8	Information on employees and other workers	Diversity and Equal Opportunity
	102-9	Supply chain	Supply Chain with CSR
	102-10	Significant changes to the organization and its supply chain	Supplier Environmental Assessment
	102-11	Precautionary principle or approach	Anti-Corruption
	102-12	External initiatives	Supplier Environmental Assessment
	102-13	Membership of associations	Certificates and Memberships
Strategy	102-14	Statement from senior decision-maker	Message from the Board
	102-15	Key impacts, risks and opportunities	CSR Governance
Ethics and Integrity	102-16	Values, principles, standards and norms of behavior	About ISA TanTec Group
	102-17	Mechanisms for advice and concerns about ethics	Anti-Corruption
Governance	102-18	Governance structure	Management Governance Framework
	102-20	Executive-level responsibility for economic, environmental and social topics	Management Governance Framework

GRI Standards		Disclosure Title	Report Section(s)
Governance	102-21	Consulting stakeholders on economic, environmental and social topics	Supplier Environmental Assessment
	102-23	Chairman of the highest governance body	Management Governance Framework
	102-27	The collective knowledge of the highest governance body	Vision & Mission
	102-29	Identifying and managing economic, environmental and social impacts	Overview of the Performance of Facility Environmental Module (FEM)
	102-30	Effectiveness of risk management process	Tax Compliance
	102-31	Review of economic, environmental and social topics	Environmental Protection
	102-35	Remuneration policies	Wages, Benefits and Working Hours
Stakeholder Engagement	102-41	Collective bargaining agreements	Freedom of Association and Collective Bargaining
	102-43	Approach to stakeholder engagement	Active Engagement with Stakeholders
Reporting Practice	102-46	Defining report content and topic boundaries	Introduction, Reporting Scope
	102-50	Reporting period	Reporting Period
	102-51	Date of the latest report	Introduction
	102-52	Reporting cycle	Introduction
	102-54	Claims of reporting following GRI standards	Standards of Report
	102-55	GRI content index	GRI Content Index
Indirect Economic Impacts	203-1	Infrastructure investments and services supported	Donations and Charities
Anti-corruption	205-1	Operations assessed for risks related to corruption	Anti-Corruption
	205-2	Communication and training about anti-corruption policies and procedures	Anti-Corruption

GRI Standards		Disclosure Title	Report Section(s)
Anti-corruption	205-3	Confirmed incidents of corruption and actions taken	Anti-Corruption
Materials	301-2	Recycled input materials used	Sustainable Operational Management (SOM) Strategy
Energy	302-4	Reduction of energy consumption	The LITE™ Concept: An Evolution
	302-5	Reduction of energy requirements of products and services	The LITE™ Concept: An Evolution
Water Resources	303-5	Water consumption	Overview of Environmental Management, The LITE™ Concept: An Evolution
Supplier Environmental Assessment	308-1	New suppliers that were screened using environmental criteria	Supplier Environmental Assessment
	308-2	Negative environmental impacts from supply chains and action taken	Supplier Environmental Assessment
Employment	401-2	Benefits provided to full-time employees (not provided to temporary or part-time employees)	Wages, Benefits and Working Hours, Workplace and Residence
Occupational Health and Safety	403-1	Occupational health and safety management system	Special Topic: Fight against COVID-19 Introduction to the OHS Management System
	403-2	Hazard identification, risk assessment and incident investigation	Introduction to the OHS Management System
	403-3	Occupational health services	Special Topic: Fight against COVID-19 Introduction to the OHS Management System
	403-5	Occupational health and safety training for workers	Contingency Preparedness and Response (including OHS Training)
	403-6	Promotion of health	Occupational Health Monitoring of Employees
	403-8	Workers applicable to the occupational health and safety management system	Introduction to the OHS Management System, Contingency Preparedness and Response (including OHS Training)
	403-9	Work-related injury	Chemical Safety of Employees

GRI Standards		Disclosure Title	Report Section(s)
Training and Education	404-1	Average hours of training per year per employee	Development and Training, Contingency Preparedness and Response (including OHS Training)
	404-2	Programs for upgrading employee skills and transition assistance programs	Development and Training
Non-discrimination	406-1	Discrimination incidents and corrective actions taken	Diversity and Equal Opportunity
Freedom of Association & Collective Bargaining	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
Child Labor	408-1	Operations and suppliers at significant risk for incidents of child labor	Labor Standards
Forced or Compulsory Labor	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	Labor Standards
Human Rights Assessment	412-1	Operations that have been subject to human rights reviews or impact assessments	Supplier Environmental Assessment
	412-2	Employee training on human rights policies or procedures	Development and Training
Local Communities	413-1	Operations with local community engagement, impact assessments and development programs	Vision of ISA TanTec
Supplier Social Assessment	414-2	Negative social impacts in the supply chain and actions taken	Supplier Environmental Assessment
Customer Health and Safety	416-1	Assessment of the health and safety impacts of product and service categories	Chemical Management
Customer Privacy	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Customer Privacy

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