



ETHICAL SOURCING GUIDELINES

- KT Trading Policy -

Contents

- ETHICAL SOURCING - PURPOSE AND AREA OF APPLICATION 2
 - DEFINITION “ETHICAL SOURCING” 3
- ANIMAL WELFARE POLICY 3
 - SLAUGHTER 3
 - EXOTIC AND ENDANGERED SPECIES 3
 - FUR 4
 - LEATHER 4
 - WOOL AND ANIMAL HAIR 4
- TRANSPARENCY 4
- RESPONSIBLE SOURCING 6
 - LEATHER WORKING GROUP 6
 - STAKEHOLDER ENGAGEMENT 6
- WEB LINKS 6

ETHICAL SOURCING - PURPOSE AND AREA OF APPLICATION

Animal welfare is an increasingly significant issue for businesses and international consumers.

KT Trading (KTT), a global player in the leather industry, pursues benchmarked improvements in animal welfare standards to meet customer expectations.

KTT is committed to trading responsibly. We want our customers to know that the goods we sell and procure have been produced in an ethical, safe and environmentally conscious manner.

Our Ethical Sourcing Guidelines define which commodities are excluded from sourcing due to their form of production or materials used.

These standards apply to all our business partners, including: suppliers, agents, trading companies and service providers (hereinafter “Business Partners”) of KTT and all of its subsidiaries.

As a company that produces leather, our first involvement is at the slaughterhouse. We require that raw materials from suppliers meet, or exceed, internationally ratified animal welfare standards, such as:

- OIE guidelines on animal welfare (Terrestrial Animal Health Code)
- The CITES list of endangered species (Convention on International Trade in Endangered Species of Wild Fauna and Flora)
- The IUCN list of endangered species (International Union for Conservation of Nature)

Over 99% of KTT 's raw materials are bovine in origin,
and materials from endangered species are never used.

Our methods for measuring animal welfare throughout our global value chain are based on the “Five Freedoms” (World Organization for Animal Health; Veterinarians; American Society for the Prevention of Cruelty to Animals; Royal Society for the Prevention of Cruelty to Animals):

- 1) Freedom from hunger and thirst: by ready access to freshwater and a diet to maintain full health and vigour.
- 2) Freedom from discomfort: by providing an appropriate environment including shelter and a comfortable resting area.
- 3) Freedom from pain, injury or disease: by prevention or rapid diagnosis and treatment.
- 4) Freedom to express normal behavior: by providing sufficient space, proper facilities and the company of its own kind.
- 5) Freedom from fear and (chronic) distress: by ensuring conditions and care that avoid mental suffering.

We will use these principles as guidance in our assessments (Questionnaires) and decision-making when sourcing materials derived from animals.

DEFINITION “ETHICAL SOURCING”

Ethical sourcing is the process of ensuring that the products sourced are obtained in a responsible and sustainable manner. It also includes that workers involved in making the products are safe and treated fairly, and that environmental and social impacts are taken into consideration during the sourcing process.

ANIMAL WELFARE POLICY

KTT does not condone animal mistreatment or abuse and works to ensure that the welfare of the animals which provide our source material is safeguarded.

Whenever animal by-products are used as materials in our production, it is important that the origin and welfare of the animals is considered. These animals must be fed and treated with dignity and respect according to animal welfare laws and recommendations. It is very important to KTT that no animals be harmed.

We also work with suppliers and key partners in the fashion and footwear industries to identify and facilitate solutions which will help to improve animal welfare further and help us achieve our goal of having all hides and leather that we source coming from animals whose welfare has met the Five Freedoms.

Our objective is to further strengthen our relationship with partners to mutually learn from experiences and jointly work on solutions to ensure considerate treatment of animals in the leather industry supply chain.

SLAUGHTER

All animals must be slaughtered in accordance with the relevant legal requirements of the country of origin. Where a more humane option for slaughter exists, we expect our suppliers to use it. As a minimum requirement, KTT aims at only sourcing hides from animals, which effectively are stunned with the minimum of suffering, before slaughter.

EXOTIC AND ENDANGERED SPECIES

KTT will not use products from exotic animals or endangered species:

- Exotic animals/products include, but are not limited to, alligator, crocodile, lizard, marine mammals, ostrich and snake.
- Vulnerable or endangered species as classified in the lists of endangered species from the Convention on International Trade in Endangered Species (CITES) and the IUCN red list.

FUR

KTT does not source, trade or sell furs.

LEATHER

All our leather must come from farm animals, which have been bred for meat production. By utilizing these hides, which otherwise would have been thrown away, KTT also supports sustainability by up-cycling a waste product into a usable natural material.

NOT PERMITTED:

- Products made from materials obtained from live, newborn or aborted animals.
- Leather from domesticated animals (e.g. dogs, cats).

WOOL AND ANIMAL HAIR

KTT does not source, trade or sell wool and animal hair.

TRANSPARENCY

KTT expects its suppliers to have complete information for all products containing animal materials. For clarification purposes, suppliers will be asked to fulfil our Animal Welfare Assessment (Questionnaire) to provide the following information:

- Supply Chain
- Country of origin (where the animal was slaughtered)
- Living conditions
- Transport to the slaughterhouses
- Abattoirs used and stunning method(s)
- Veterinaries access and services (prevention or rapid diagnosis and treatments)
- Tracking and tracing process of the hides collected
- Local authorities involved in the control of certifications

Raw material traceability, back to individual slaughterhouses, is a key issue, and KTT is progressively improving leather origin tracking in many of its key markets.

Overall results collected from our suppliers are positive and show a fundamental interest for their business.

In general, the animals that suppliers care for are provided with environments that satisfy their nutritional needs to be safeguarded against hunger and thirst, in addition to being protected from discomfort, fear and distress.

Suppliers believe that it is their obligation to ensure animals are healthy and, in instances of injury or illness, they receive appropriate treatment.

Some suppliers go a step further. Examples:

- Conduct an Animal Welfare education program at their facilities.
- Provide funding for research projects on animal welfare improvements in animal mobility, and lameness, antibiotic alternatives, traceability and best practices in production management.
- Build an internal culture of caring about animals and delivering excellence in animal welfare. This applies not just to their team members who have daily interaction with animals but extends all the way up to their senior leadership team.
- Have an office exclusively dedicated to Animal Welfare.
- Install cameras in their meat processing for extra monitoring.
- Implementing Risk Readiness Assessment (RRA).
- Transportation of animals is taking care in cooler temperatures to provide straw bedding or cover ventilation holes in trucks, so the calves do not become too cold and remain dry.
- Increase the visits of government veterinaries at farms and slaughterhouses for more regular controls and supervision.

All of KTT's EU suppliers provide a certificate of compliance with European Union regulation EC 853/2004 concerning rawhide deliveries. This regulation demands that all animals are accurately identified on arrival at slaughterhouses, are healthy, and have a satisfactory level of welfare. The certificate guarantees that all hides come from animals that are fit for human consumption; and it also ensures KTT a full batch level raw material traceability, from slaughterhouse to delivery to the tannery.

KTT sources raw materials from some of the biggest meat processing companies in the USA, which operate detailed in-house animal welfare programs. These include welfare auditing at farms, during animal transport, and at the slaughterhouses.

KTT is working towards insuring that all hides entering its supply chain carry a unique mark that provides individual traceability.

Despite these established commitments to animal welfare standards and raw material traceability, KTT recognizes that improvements must be ongoing. Therefore, KTT remains in dialogue with suppliers to encourage them to maintain, or improve, animal welfare standards and practices.

RESPONSIBLE SOURCING

The materials we sell impact different stakeholders, including the general public. Consequently, our assortment needs to also consider social and ethical values for the benefit of the societies we operate in.

If we discover non-conformity between a supplier's practices and our mandatory requirements, we will give the supplier reasonable period to change and improve its practices. Where needed, KTT will seek to provide support and advice. If the supplier cannot document any improvement at the end of the agreed period, KTT will consider changing supplier.

Any new supplier must go through a pre-screening process to better understand their business and especially if they are matching our animal welfare policy.

LEATHER WORKING GROUP

KTT is a member of the Leather Working Group (LWG) an industry organization that developed and maintains a rating system and certification program for environmental performance in tanneries.

STAKEHOLDER ENGAGEMENT

We will also engage with others, such as industry associations, governments, NGOs and other relevant stakeholders, to build our own knowledge, share learnings, collaborate on specific improvement projects and more generally, promote best animal welfare practices.

We will be transparent about the challenges that we meet and the nature of our improvement efforts, and report on the progress of our work.

WEB LINKS

OIE Guidelines - <https://www.oie.int/en/>

LWG - www.leatherworkinggroup.com

Farm Animal Welfare - <http://www.fao.org/ag/againfo/themes/animal-welfare/news-detail/fr/c/12204/>

Five freedoms -

<https://webarchive.nationalarchives.gov.uk/20121010012427/http://www.fawc.org.uk/freedoms.htm>

IUCN red list - www.redlist.org

CITES - <https://www.cites.org/eng/app/index.php>

EC 853/2004 - https://www.livsmedelsverket.se/globalassets/produktion-handel-kontroll/vagledning-og-kontrollhandbocker/guidance_doc_853-2004-new_en.pdf

About KT Trading

KT Trading was founded in 1999 in Switzerland and specializes in the global sourcing and trading of materials for the leather industry.

The company is focused on servicing the leather sector with an efficient supply chain and high-quality products, including 'Wet Blue', 'Crust' and finished leather.

KT Trading processes raw materials in the Netherlands, China, Thailand and Indonesia, and sources raw materials from around the globe. KTT's expertise in raw materials, combined with our extended global supply chain, offers a unique opportunity for tanneries and leather buyers around the world to source tailor-made solutions for their needs.