

Statement of our Management

About Us

Our Fields of Action

Sustainable Management

Product – Economic Responsibility

People – Social Responsibility

Planet – Environmental Responsibility

Partnering – Shared Responsibility

Index of UN Principles and Goals

References and Abbreviations



Statement of our Management

Dear Readers,

Once again, a year of intense challenges lies behind the entire industry and of course, BADER too. Sustainable development as such, is increasingly receiving worldwide attention. We recognize our unique position as a leading manufacturer of premium leather for the automotive industry and the possibilities of influencing our product sector. For many years now, we have been committed to a more sustainable leather value chain – much longer than sustainability has become widespread.

As a family-owned company of the fourth and fifth generation of entrepreneurs, we are convinced that our investments need to have a meaningful impact, preferably over a long period. We create space for innovations while securing jobs, partnerships, and market positions, at the same time.

As an international company, we are aware of our social responsibility. We are committed to compliance with social standards at our sites. Our social engagement worldwide ranges from the promotion of children, youth, and seniors through sports, health and security, up to educational initiatives.

As a manufacturer of one of the oldest natural materials, we took up the challenge to adopt ecologically advanced manufacturing processes early on. Our sites have certified management systems, depending on their relevance. In addition, by the end of 2017 we have had four of our seven leather-producing sites certified in accordance with the energy and CO₂ benchmark „ECO₂L“ for tanneries and the LWG environmental audit.

We are convinced that together with our regional partners at our sites worldwide we will be able to achieve even more. Be it with our customers in the optimization of developing seat covers. Be it with our suppliers in improving traceability and securing animal welfare. Be it with associations and alliances, in order to establish more sustainable industry standards.

In the meantime, we look back on more than three decades of commitment to sustainability. By means of sustainability reporting, we now want to make our activities more measurable and inform interested parties of our results.

As a signatory of the United Nations Global Compact, we have acknowledged its principles and sustainable development goals. With this first progress report for the year 2017, we invite you to convince yourself of our commitment.

With kind regards,

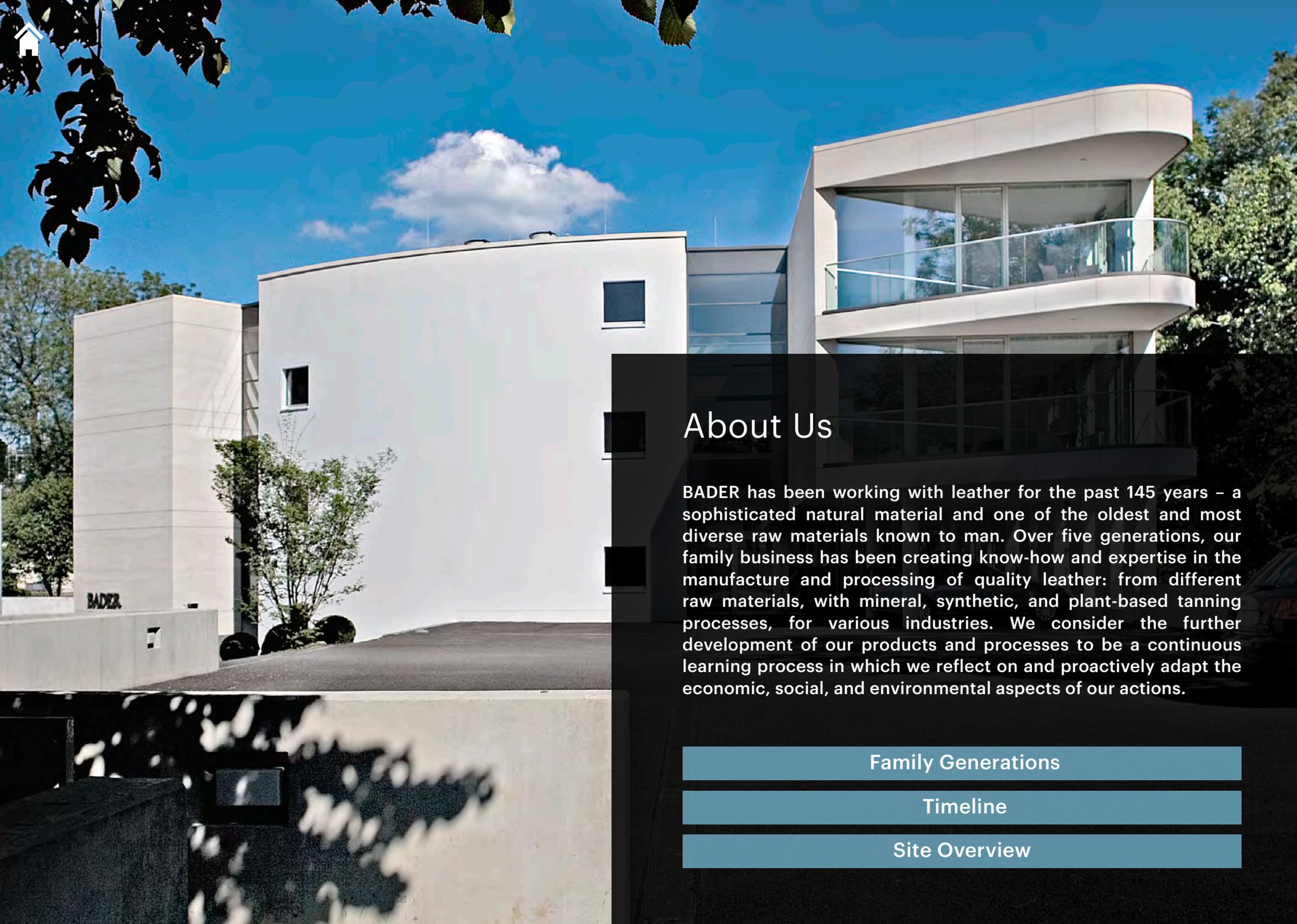
Thomas Bader, CEO
Lothar Bauhofer, CSO
Bent Dreilich, COO
Jürgen Erb, CFO
Marcus Röhling, CPO



Our board of management



Figure 1: Jürgen Erb, CFO - Bent Dreilich, COO - Thomas Bader, CEO - Lothar Bauhofer, CSO - Marcus Röhling, CPO (from left to right)



About Us

BADER has been working with leather for the past 145 years – a sophisticated natural material and one of the oldest and most diverse raw materials known to man. Over five generations, our family business has been creating know-how and expertise in the manufacture and processing of quality leather: from different raw materials, with mineral, synthetic, and plant-based tanning processes, for various industries. We consider the further development of our products and processes to be a continuous learning process in which we reflect on and proactively adapt the economic, social, and environmental aspects of our actions.

[Family Generations](#)

[Timeline](#)

[Site Overview](#)

Family Generations

1st family generation

In 1872, Otto August Bader founded the Rosslederfabrik Otto Bader (Horse Leather Factory) in Göppingen, for tanning of horse hides for shoe uppers and later also for shoe soles. He constantly experimented with new tanning techniques; such as the plant-based quebracho tanning and the mineral chrome tanning.

2nd family generation

After Otto August's early death in 1904, his wife Katharina Bader ran the company temporarily until their two sons Otto and Adolf were able to take over the management in 1909. The Bader brothers rebuilt the leather manufacturing company after two fires on the site in the Metzgerstrasse and gradually expanded production and shipments – the first exports being to Switzerland and Austria. In 1938, they acquired a vacant factory in Uhingen and transformed it into a leather fiber (LEFA) factory where they further processed cutting waste and shavings into LEFA products (▶ **Chapter Products**). During this time, the workforce grew to 250 employees.

3rd family generation

After 1945, the cousins Rolf and Hans Bader shaped the company – the third generation of Baders. They switched production to the processing of cattle and later bull hides, in particular. In addition, they acquired many renowned large clients above all in the footwear industry. By the end of the 1960s, BADER had established trade with South America, especially Uruguay and Argentina. Here we initially bought semi-

finished leather products for further processing to sports shoe leather, grained and crushed leather, and later we also bought finished leather for sports shoes, which we subsequently supplied to franchises in the USA, Australia, New Zealand, Canada, the Philippines, and Taiwan.

4th and 5th family generation

In 1982, Thomas Bader joined the company's executive management and together with Hans Bader, ran the company until Hans' death in 2006. In 2010, Thomas Bader's daughter, Chris, representing the fifth generation of the family, began her professional career in the company.

In the 1980s, BADER established itself as one of the leading manufacturers of premium leather for the global automotive industry and today operates in addition to its headquarters in Göppingen, 10 manufacturing sites in 9 countries on 5 continents. The number of employees increased to more than 11,300 worldwide.

Today we convert 16,750 hides into leather on a daily basis – at the end of the 1970s, it was just 400 to 600 hides. In addition, we now manufacture cut parts and seat covers and are developing innovative sustainability-oriented leather products and processes, which we are gradually implementing at all our sites. Over the course of time much has changed at BADER, but the passion for leather is still the same today as it was in 1872.



Figure 2: Otto August Bader – Katharina Bader – Otto Bader – Adolf Bader – Rolf Bader – Hans Bader – Thomas Bader – Chris Bader (from left to right)



Timeline

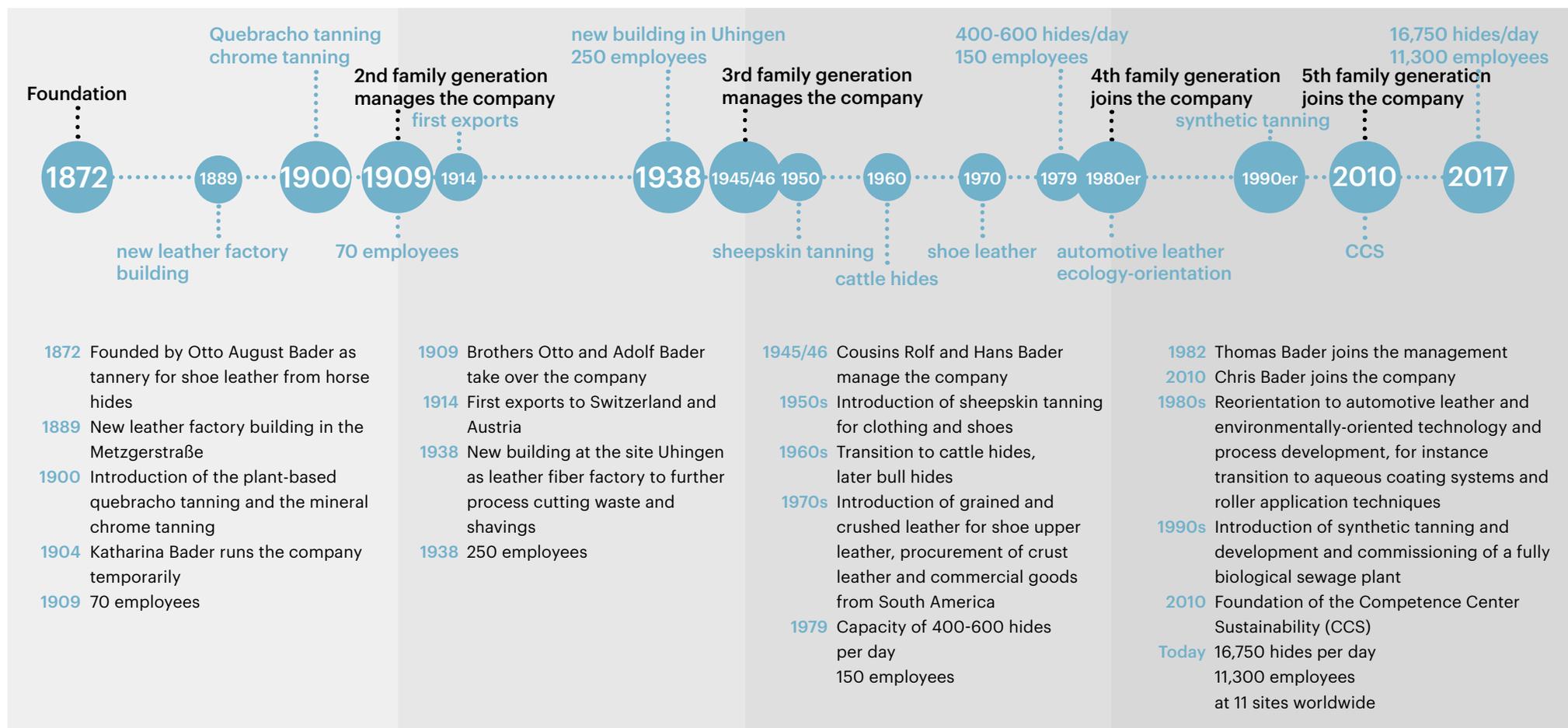


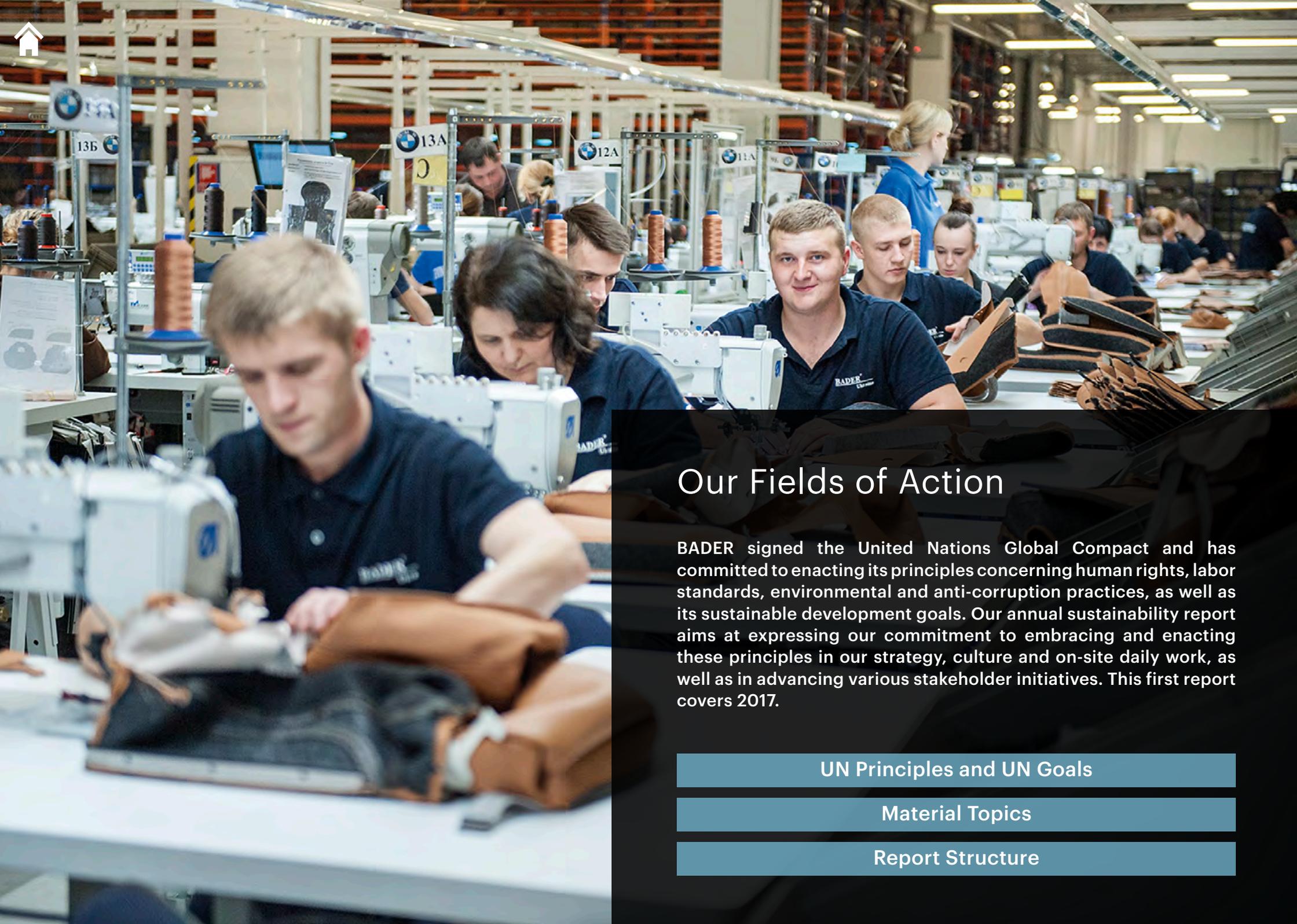
Figure 3: Our family business



Site Overview



Figure 4: BADER sites worldwide



Our Fields of Action

BADER signed the United Nations Global Compact and has committed to enacting its principles concerning human rights, labor standards, environmental and anti-corruption practices, as well as its sustainable development goals. Our annual sustainability report aims at expressing our commitment to embracing and enacting these principles in our strategy, culture and on-site daily work, as well as in advancing various stakeholder initiatives. This first report covers 2017.

[UN Principles and UN Goals](#)

[Material Topics](#)

[Report Structure](#)



UN Principles and UN Goals

In 1999, Kofi Annan – the then Secretary General of the United Nations (UN) – in his speech at the World Economic Forum in Davos stressed the fact that globalization should benefit all people and offer everyone at least a chance of prosperity in a healthy environment. To this end the UN Global Compact was created in 1999 – to secure a future in which the strong and successful accept their responsibility showing global vision and leadership. In the meantime, more than 9,500 enterprises from over 160 countries support the ► **10 UN principles of the Global Compact** concerning human rights, labor standards, environment, and anti-corruption practices (UN Global Compact 2018).

WE SUPPORT



Figure 5: BADER supports the UN Global Compact

In September 2015, the heads of state and government from all UN member countries adopted the ► **„2030 Agenda for Sustainable Development“** (UN SDG 2018). This agenda includes 17 Sustainable Development Goals (SDG) and 169 targets to be achieved by 2030 – to overcome global challenges such as poverty and inequality and deal with climate change. In seeking to achieve these UN targets and goals, governments around the world are implementing national frameworks and issuing regular progress reviews.

Companies also need to bring their business into conformity with the UN global principles and goals and to act accordingly in their own sphere of influence. One could say that the UN principles act as a „compass“ to help navigate the course and that the UN goals act as a „lighthouse“ for orientation towards the final goals. Following this example, we are in the process of embedding the UN principles and goals in our strategy, company culture, and, ultimately, in our day-to-day business dealings.



Figure 6: BADER supports the Sustainable Development Goals



Material Topics

To determine the essential topics that we can really get behind, BADER has rated the 17 UN goals according to influence and relevance. To do this, we take into account the effects of production processes and final products on society and the environment and the possibilities we have of being able to influence change. The goals that we are especially able to influence are shown in Figure 7. They are listed numerically and do not correspond to any judgmental ranking. In our sustainability report, we elaborate more specifically on the UN goals that we consider essential. This first report covers 2017 (1st January to 31st December).

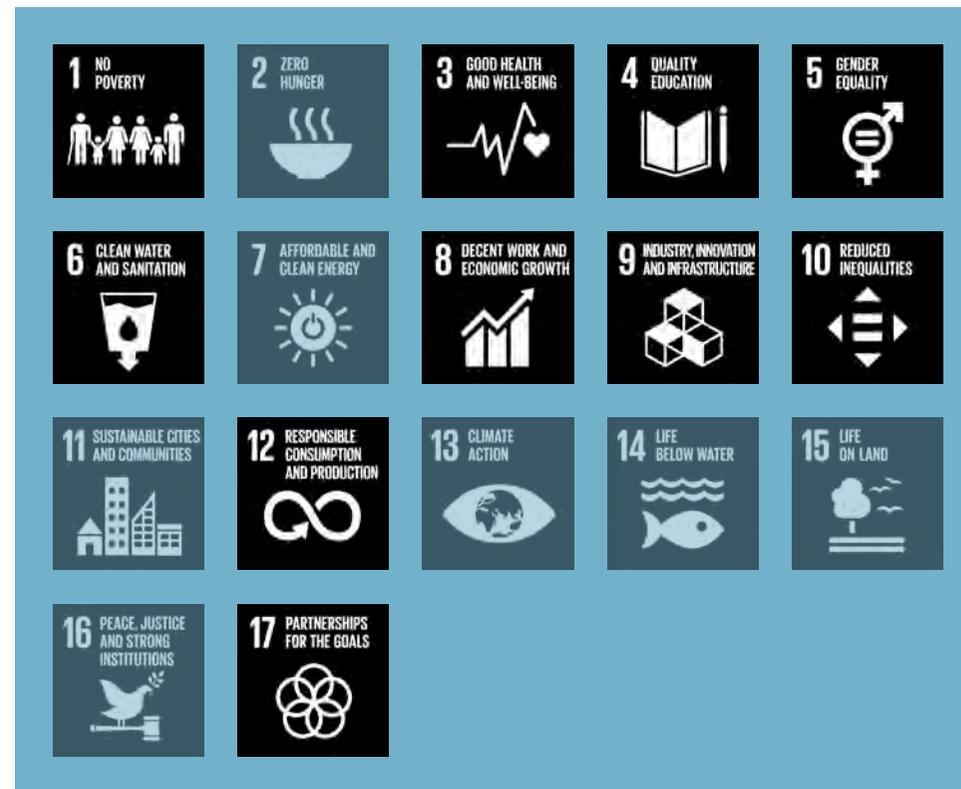


Figure 7: The material Sustainable Development Goals for BADER



Report Structure

The sustainability report links BADER's activities to the UN goals and assesses our contribution to the material topics. We have structured this report according to the „3P“ formula by ► **Elkington (1994)**, where he describes the interactions of the three dimensions of sustainability as three shared zones: Product (economy), People (society), Planet (environment). We have supplemented these three dimensions with

„Partnering“ (cooperation), because only together with our customers, suppliers, and other stakeholders can we reach the UN goals holistically, across the entire value chain. The sustainability report's underlying structure and linkage to the UN goals is shown here Figure 8.

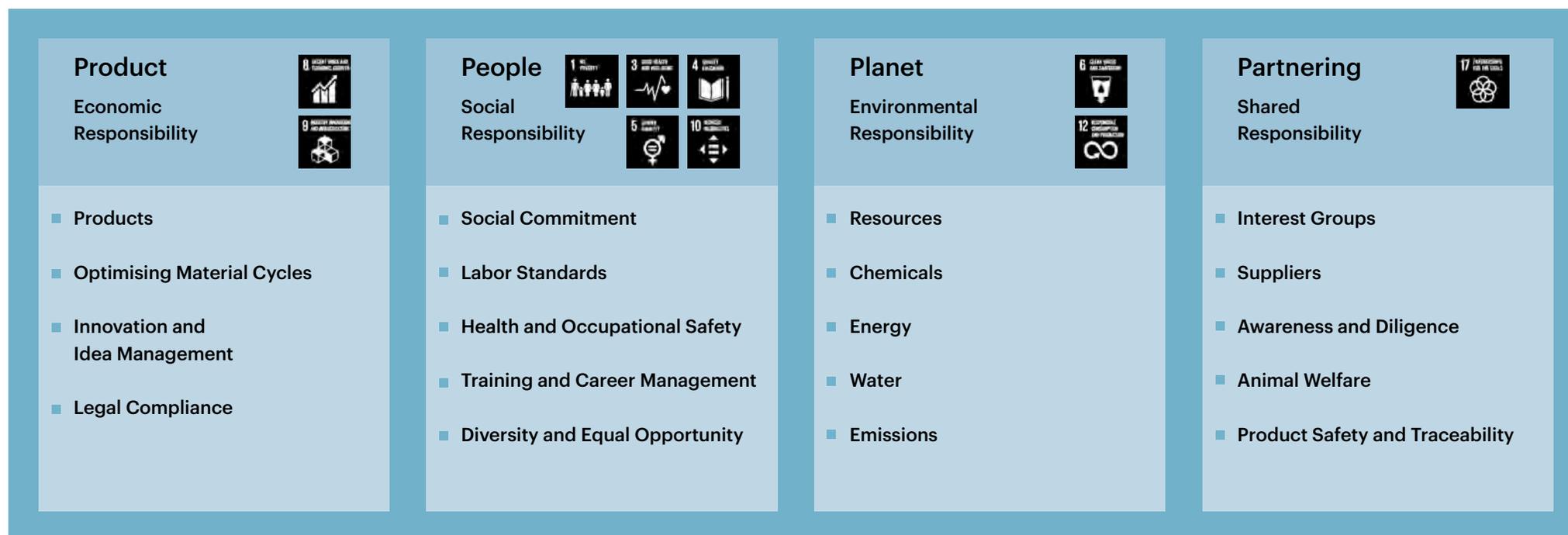


Figure 8: Structure of the sustainability report and link to the UN goals



Sustainable Management

Sustainable management integrates social and environmental concerns into business operations. BADER has embedded its sustainable management in policy and code of conduct, strategy and corporate goals and has put in place structures and management systems to enable continuous assessment and improvement.

Competence Center Sustainability

Values and Standards

Strategies and Goals

Evaluation and Control



Competence Center Sustainability

Sustainable management serves to secure the long-term survival of our company and requires company commitment on all levels. Under senior management leadership, the Competence Center Sustainability (CCS) has had its own team working across different business units and plants on diverse sustainability topics since 2010. We create sustainability policies from visions, initiate and support projects, compile and make available expert knowledge. We further communicate information on sustainability and project results and derive further measures from these data. In doing this, we work very closely with our stakeholders.



Figure 9: BADER Competence Center Sustainability

Values and Standards

As a signatory to the UN Global Compact, BADER is committed to the UN principles and to the sustainable development goals concerning human rights, labor, environment, and anti-corruption.

To meet this responsibility, BADER has, above and beyond the legal requirements, firmly embedded its fundamental values and principles of conduct in its ► **Corporate Social Responsibility (CSR) Policy** (BADER 2017a) as well as in its ► **Quality, Environmental and Energy Policy** (BADER 2016). In addition, the ► **Code of Conduct** that applies to all contract and business partners (BADER 2017b) specifies the basic principles of conduct for day-to-day dealings and business policies. As part of the annual management review, we ensure that our goals are in accordance with our policies.

We understand these rules as a framework within which we, as a company, operate in society. They can only be adopted through the commitment of all employees and business partners. We have conveyed our policies to all BADER employees and made them available on the internet and intranet. The Code of Conduct has been published on the internet. The documents are available in the particular language of our employees and business partners.



Strategies and Goals

We derive our business strategy from the holistic assessment of economic, ecological and social opportunities and risks. In this context, our strategy has three drivers:

- **Economic responsibility:** We invest in the long-term in maintaining and developing our traditional company in line with environmental and social concerns and pursue long-term, sustainable goals, across all company sites and business units.
- **Social responsibility:** We are committed to the observance of human rights, fair working conditions, and life-long education and training, as well as a culture characterized by diversity, mutual respect, and equal opportunity.
- **Environmental responsibility:** We develop and evaluate new products and processes over various dimensions and the whole life cycle.

We invest intensely into the research and development of more sustainable products, processes, and technologies. We are further pursuing ideas to increase the utilization of our leather products while taking customer-specific demands into account and minimizing residual materials.

Our strategy drivers		
1 Economic responsibility	2 Social responsibility	3 Environmental responsibility

Figure 10: Our strategy drivers

Evaluation and Control

At least once a year, BADER uses various management reports and internal audits to review aspects of sustainable management and consequently derive measures and goals for continuous improvement.

On the operational level, we support our company's sustainable development by consistently making use of our integrated management system. It builds on various international standards according to which we ► **certify** our sites and have them reviewed regularly through external audits (BADER 2018).

Meanwhile, all of BADER's sites have a quality management certification according to ISO 9001 and/or IATF 16949 specifically for the automotive industry or are currently in the implementation phase.

As of 2001, Mexico León, one of the sites with test and calibration laboratories, has been accredited according to ISO 17025. This has been planned for our laboratory in Germany for the end of 2018.

All the leather manufacturing locations have the ISO 14001 certification for environmental management or are currently in the implementation phase until the beginning of 2019. As one of the first automotive leather producers in Germany to be certified, our Göppingen headquarters along with the Ichenhausen factory was certified according to ISO 14001 in 1999.

As of 2015, two sites are certified in accordance with ISO 50001 for energy management. Certification in occupational health and safety management in accordance with ISO 45001 is planned for the future. The results of the findings benefit all of our subsidiaries.

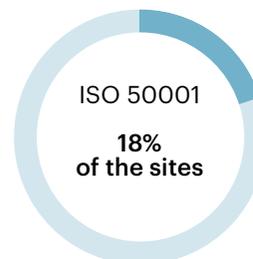


Since 2012, BADER has also been working closely with the German Leather Federation (German: Verband der Deutschen Lederindustrie, VDL) and the Leather Working Group (LWG). Both offer certifications to tanneries and leather manufacturers that define specific performance requirements to promote environmentally friendly and sustainable manufacturing processes in the leather industry.

The VDL has developed the ► **Energy Controlled Leather (ECO₂L) Certification** (VDL 2013), the world's first energy and CO₂ benchmark for tanneries. This benchmark builds on the experience and energy analyses of about 20 leading tanneries around the world. The LWG consists of brand companies, suppliers, distributors, industry experts, NGOs, and other organizations. Together, the group discusses the latest developments and requirements to be set in the world-wide valid ► **LWG audit protocol** (LWG 2018) for the assessment of the environmental performance of tanneries, in part far beyond the legal requirements.

BADER was actively involved in the development of the ECO₂L tool as well as the LWG protocol. Since 2012, we have been gradually introducing both certifications at our leather manufacturing sites. By the end of 2017, four of our seven leather-producing sites are certified in accordance with ECO₂L and LWG. We are particularly pleased that two sites were able to achieve a LWG Gold certification while two others received a LWG Silver certification at the first attempt. In 2018, our South African site will be certified according to LWG and ECO₂L standards. This means that all our major leather manufacturing sites will then be certified.

It is our goal to continue to implement new requirements at our sites in the coming years. In so doing, we will gradually expand our reporting. We are also planning to integrate data collected for LWG, ECO₂L, and our sustainability reporting system.



BADER Polska – BAD102
BADER China – BAD103



BADER Ichenhausen – BAD101
BADER de Mexico – BAD104



ECO₂L
Energy
Controlled
Leather

BADER Polska – 010
BADER China – 012
BADER Ichenhausen – 017
BADER de Mexico – 024



Product – Economic Responsibility

Companies can effectively support the UN sustainable development goals by also taking social and environmental concerns into consideration parallel to their economic development. As a family-owned company already in the fourth and fifth generation we plan for the long term, investing heavily in research and development of sustainable products, processes, and technologies and are committed to legal and fair competitive behavior at our sites.

Products

Optimising Material Cycles

Innovation and Idea Management

Legal Compliance



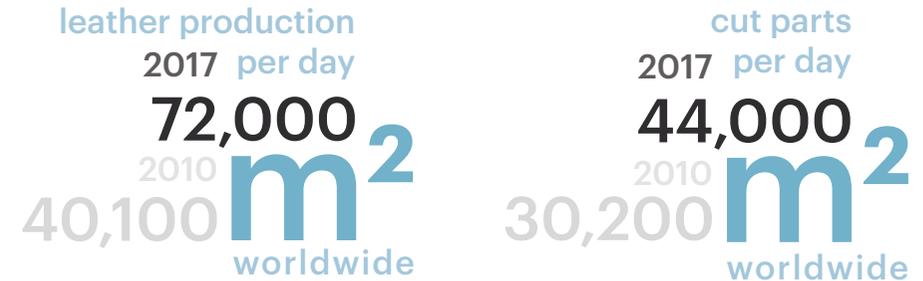
Products

Today, in addition to our headquarters in Göppingen, the BADER group includes 10 manufacturing sites in 9 countries on 5 continents (► **Figure 4**). Through our international presence, adapting to the global economy has been inherent in our daily business for many years.

Nowadays, we manufacture leather in particular for the automotive industry with an estimated global market share of 20-25%. We manufacture worldwide on a daily basis around 72,000 m² of leather, 44,000 m² leather cut parts and seat covers for 2,700 vehicles.

Mobile living environments are designed with exclusive BADER leathers. Regardless, if this is a seat cover, armrest, steering wheel, door trim, instrument panel, gearshift knob, or boot, we produce the perfect custom solution for every application. This includes leather finishing and custom cutting to the flawlessly stitched final cover. State-of-the-art production technologies and continuous monitoring ensure consistent high quality. This premium quality automotive leather product supplied by BADER, is the hallmark of the international reputation, thereby, placing BADER in a class of our own.

Leather is a material, which provides us with the inspiration for a whole world of innovative ideas apart from creating new collections for automobiles. In the BADER LEATHER GOODS department, these ideas are transformed into sophisticated and exquisitely handcrafted personal products including fashion accessories such as belts, electronic device covers, card cases, small leather goods, handbags, and small luggage. This exclusive leather collection is designed for those individuals and companies, who treasure the perfect symbiosis of excellent quality and impeccable taste in fashion.



Optimising material cycles

BADER's sustainable, entrepreneurial mindset has a long tradition. A family tradition that currently the fourth and fifth generation of entrepreneurs are carrying forward. With the conviction, for example, that the annual turnover and profits do not have to be maximized for the short term, but should be environmentally and socially compatible in the long term.

For us, having a passion for leather also means to deal with this material in a responsible way. The raw hides are co-products of the dairy and meat production and represent ► **renewable raw materials** that can substitute products made from non-renewable raw materials such as petroleum-based plastic sheeting and textiles (UNIDO 2012). For nearly 100 years, we have been looking for new opportunities to achieve high-value material uses of leather and are now selling many co-products (► **Chapter Planet**).

In the 1930s, raw materials were becoming increasingly scarce and companies were required to use existing resources and waste for new products where possible. So, in 1936, we carried out first attempts to further process vegetable tanned leather cutting waste and shavings into leather fiber (LEFA). Two years later, we were already able to make fiber pulp in our new LEFA factory, which could be processed to make inner soles, mid soles, heel counters, or slipper outer soles and later to make briefcases.

Today we are still looking for ways to responsibly deal with leather waste. We developed the idea for Kollamat®, a high-quality injection molding material made from pelleted leather remnants (shavings, finished leather) and polymers which can also be used to create three-dimensional components. Kollamat® is manufactured with comparatively low energy use and can substitute 50% of plastics. It combines the haptic and moisture-regulating properties of leather with the potentials of

synthetic materials and provides optimal thermal and acoustic insulation as well as high variability in strength and density.

Those who appreciate this high-grade leather material also want to retain its unique characteristics as long as possible. That is why we developed BADER LEATHER CARE. It is the ideal leather care product for use in automobile interiors.

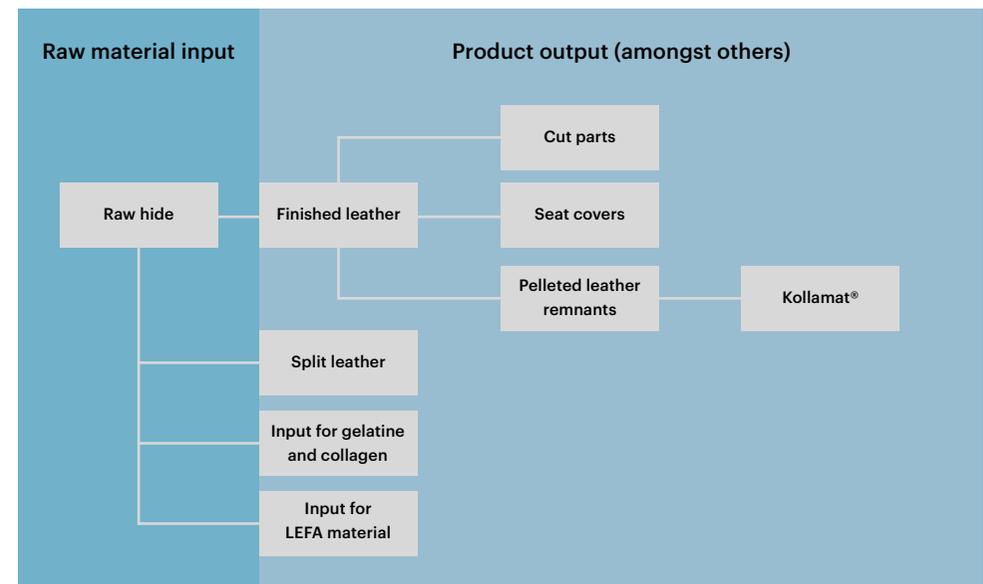


Figure 11: Optimising material cycles

Innovation and Idea Management

In addition, we invest heavily in research and development of sustainable products, processes, and technologies. We work closely with our customers, suppliers, and other interested parties to meet their needs on the one hand, while on the other hand, already taking into account the sustainability aspects in the development stage. This means being able to develop holistic solutions over the entire life cycle of our leather products. We are gradually introducing the solutions and good experiences from our R&D projects at our sites around the world.

For decades, we have been investing in R&D projects to achieve a more sustainable alignment of our products, raw materials, and machines. In 2017, 27% of our projects were established beyond technical-economic aspects also on environmentally and/or socially responsible aspects. In the past 30 years, through our own technical process development we have developed aqueous coating systems and different roller application techniques to substitute the spraying technique. We were able to reduce the overspray and VOC emissions and have successfully tested and implemented these techniques at our sites. In addition, we carry out various projects for the improvement of material cycles, plant-based tanning, and traceability of cattle hides back to the animal owner.

The ideas from our employees also help us to innovate and become better at what we do. Through our globally established company suggestion system, employees produce diverse ideas around economic efficiency, cooperation, environmental protection, quality assurance, and health and occupational safety. Last year, for example, we awarded a proposal for the adaptation of leather trestles, which not only saves time and storage space, but also resources.

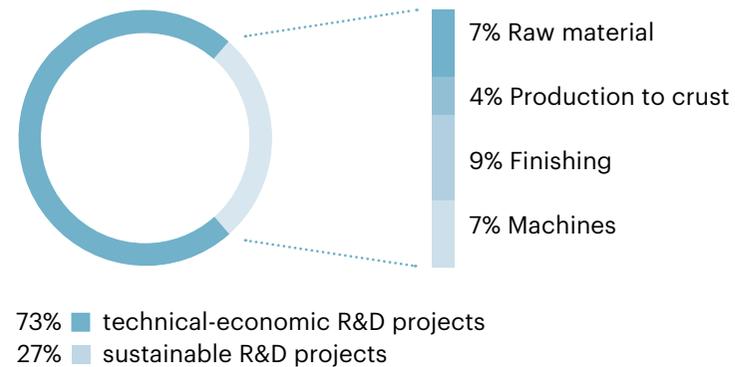


Figure 12: Sustainable R&D projects

Legal Compliance

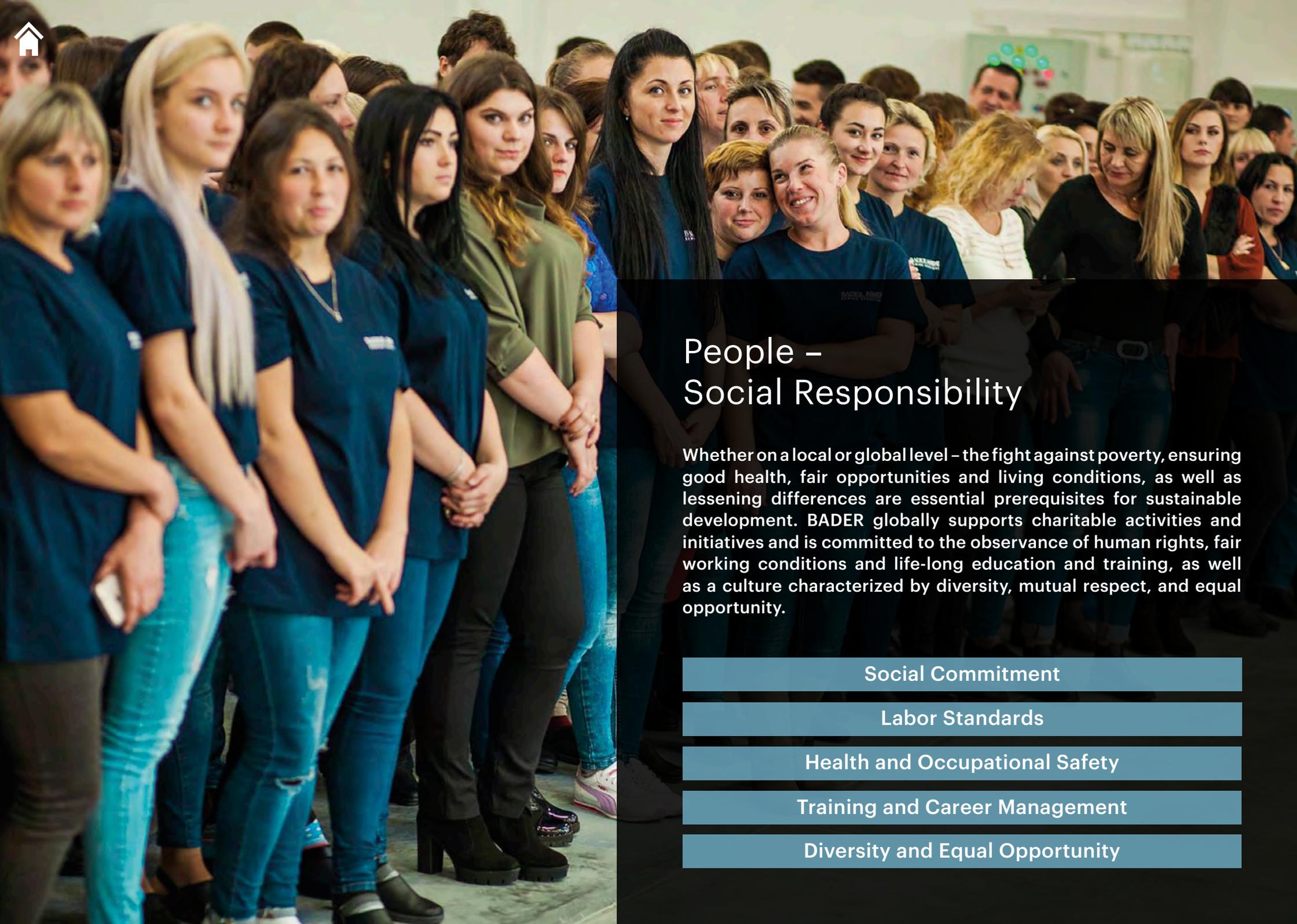
BADER is committed to legal and fair competitive practices as well as general legal compliance at all of its sites. There were and are no legal proceedings pending against BADER. No criminal charges were imposed, have been threatened or are to be expected. Nevertheless, important issues such as legality and anti-corruption are embedded in our ► **Policy on Corporate Social Responsibility** (BADER 2017a).

We regularly review and adjust the requirements on an ongoing basis. Management at each plant monitors compliance and realization with all respective international, national, and local laws and regulations in the context of all company operations and on all operational levels. This includes getting agreements concerning company activities with the relevant authorities and obtaining the necessary approvals, which also cover such areas as construction, labor law, occupational safety, environmental protection, and food law.

In dealing with business partners and government institutions, the interests of the company and private interests of employees on both sides, are kept strictly separate. Decisions are made without involving irrelevant issues and personal interests.

We implement and monitor compliance as part of our integrated management system by means of management reviews, regular employee training, and supplier meetings and audits.

We respect intellectual property rights. For instance, in 2016, initiated by one of our biggest customers, we had our company audited and implemented the suggested solutions from the audit results. With a view to the EU general data protection regulation that is valid as of May 2018, we are implementing the essential new rules for the handling of personal data in our daily business operations. We train all BADER employees that deal with digital data exchange annually.



People – Social Responsibility

Whether on a local or global level – the fight against poverty, ensuring good health, fair opportunities and living conditions, as well as lessening differences are essential prerequisites for sustainable development. BADER globally supports charitable activities and initiatives and is committed to the observance of human rights, fair working conditions and life-long education and training, as well as a culture characterized by diversity, mutual respect, and equal opportunity.

Social Commitment

Labor Standards

Health and Occupational Safety

Training and Career Management

Diversity and Equal Opportunity



Social Commitment

At its sites worldwide, BADER joins the fight against poverty and provides the local population with access to essential resources and services. For this purpose, we dedicate a substantial part of our sales to social activities and 2006 – after Hans Bader’s death – the Bader family founded the non-profit foundation Hans-Bader-Stiftung in honor of his social commitment. Our global engagement extends beyond the support of research, employment, health and safety, to the care of young and elderly people.

We promote worldwide education and employment initiatives in order to improve employment prospects. In Germany, for example, we support the promotion of employment and educational opportunities for difficult-to-place unemployed, long-term unemployed and persons threatened by exclusion from the labor market, including refugees. Since 2007, we have been offering a one-year leather qualification-training program in South Africa. In 2017, this program covered about 90 unemployed school leavers. Many of these young professionals are now in positions in the operational business, quality assurance and monitoring, and technical jobs at BADER and other leather processing companies. In the Ukraine and Uruguay, we cooperate together with other companies with the local chambers of industry and commerce to advance projects in the dual vocational training system.

We support initiatives concerning health, safety, and palliative care, including sports. In Germany and Mexico, we support, for example, hospitals, nursing facilities, and hospices and organize joint breakfasts and other meetings. In South Africa, we offer our employees medical care, donate to charitable organizations that support HIV/AIDS orphans, and support the BADER’s Sports Club and local sporting events. In the Ukraine, we promote local clubs that provide long-term support to people with special needs and we further fund the purchase of medical equipment. In Uruguay, we organize informative talks on topics such as addiction, violence, or palliative care.

We also support the care of young and elderly people. In Germany, we promote a learning initiative, kindergartens, and sports. In Mexico, our program „Adopta una escuela” supports local schools in the form of renovation work and provision of building materials and equipment. We also organize events in children’s and senior’s facilities and replace worn out padding in school bus seats. In South Africa, we sponsor school equipment and food for the first graders of our employees. In the Ukraine and Uruguay, we are helping to empower young people by supporting social, educational, and sports facilities. In Uruguay, we also promote an educational assistance program, which makes it possible for children to attend school. More than 50 children from BADER employees as well as others can take advantage of this.



Figure 13: Social commitment



Labor Standards

We have embedded our fundamental values and principles of conduct in our ► **Corporate Social Responsibility Policy** (BADER 2017a) (► **Chapter Sustainable Management**) which exceeds legal requirements. At BADER, we respect and protect human and workers' rights and human dignity. We totally reject any violations such as forced labor, trafficking, and child labor.

All employees work at BADER voluntarily. Young people are at least 15 years old and receive age-appropriate tasks within the scope of their vocational preparation and training. Like all our employees, they obtain training in occupational health and safety.

BADER respects the rights of employees to freedom of assembly, freedom of association, and collective bargaining in the framework of the applicable statutory regulations. At individual sites, there are regular discussions and good co-operation between company and personnel management and the employee representatives. Collective agreements typically address a variety of issues such as the protection of health and occupational safety, working conditions, employee development, or equal treatment.

The wage level at our sites bases on the regional average – not on the lower limit – and we meet or exceed minimum standards, as far as defined. The working hours allow a sufficient balance between work and relaxation and correspond to at least the statutory requirements – concerning both weekly and annual working hours. Working on Sundays and holidays only happens in exceptional situations. Every employee has the right to adequate vacation that partly exceeds statutory requirements. The typical cultural differences and statutory requirements are taken into account.

In the last five years, our number of employees has increased from about 6,100 to 11,300. At the individual locations, we cooperate with employment agencies to recruit employees. We are interested in keeping employees and taking over external workers. To protect and promote our employees when the workload needs to be reduced, we use the instrument of short-time work – where legally possible.

2017 employees
11,300
2012
6,100 worldwide



Health and Occupational Safety

Life-long preservation of health and well-being requires both BADER and every employee to take appropriate preventative measures. We carry out regular safety training for all employees including trainees, with the aim of raising awareness. We also organize health programs, which we carry out in conjunction with workers' representatives and social agencies. At our German sites, we offer regular so-called health days with check-ups and different events related to health and occupational safety. In some cases, we financially support preventative measures, like the aids prevention campaign at our site in South Africa.

We integrate aspects of health and occupational safety into our integrative management system and check worldwide compliance through regular audits (► **Chapter Sustainable Management**). At our sites there are experts for occupational safety and emergency plans in place, who are also certified by the LWG, if already existent. There are mandatory procedures that ensure the reporting of serious accidents to our headquarters where we analyze them in order to avoid further incidents.

We analyze the processes and check safety equipment on a regular basis at our sites. Here are some examples from our Ichenhausen site of the past few years:

- We have checked and replaced the safety equipment in terms of wearing comfort and functionality and have made our lifting instructions more transparent.
- We have invested in new transport and lifting systems to improve the effort and ergonomics for our employees – e.g. we redesigned the crouponage workplace and reduced the load from 15 to 3.6 tonnes per shift and person per day.
- We completely revised the glasses and glove concepts to improve health and safety – we also constantly test the application of new knives.
- We procured multiple gas measuring devices used for repairs and cleaning work in confined spaces, such as the sewage treatment plant.
- We have procured hydrogen sulfide measuring devices to prevent accidents with hydrogen sulfide for those employees who regularly spend time in tanneries as well as let them complete the Leather Panels' online course for hydrogen sulfide from the United Nations Industrial Development Organization (UNIDO).



Training and Career Management

BADER has 11,300 employees at 11 sites worldwide. We offer a variety of interesting career opportunities with our international presence, close cooperation with renowned manufacturers, as well as the advantages of a German global player with a family-run company structure. Together we create not only quality at an international level, but value and promote the talent and skills of each individual employee.

As part of our initiative for securing skilled personnel, we offer a portfolio covering a wide range of education and advanced training, which we continually expand, as required. For these means, we cooperate with chambers of commerce and industry, research institutes, and universities. We offer young professionals opportunities for a wide variety of career paths in the areas of technical tradesmanship and commerce as well as in design, research and development, production, and management. In 2017 in Germany, we trained 33 young people in various dual vocational training programs and practice-oriented higher education study programs. This represents a share of 6.7% of the workforce. We are always interested in taking over trainees. At our German sites, we offer all trainees, as part of their training, the opportunity to participate in a project week with voluntary work in social care institutions, in order to promote teamwork, a sense of community, and tolerance. The trainees can familiarize themselves with the production processes on site and in many training programs, have the possibility to work abroad and develop foreign language and intercultural skills.

BADER is targeting talent management in the spirit of lifelong learning and is offering a variety of internal and external training opportunities to improve employment options for our employees. In an effort to promote careers, we annually determine the individual training requirements of our employees which we inquire in voluntary appraisal interviews, or alternatively, via the supervisors. On this basis, we implement and monitor mandatory training and development plans.

The internal further education offers include „Training on the Job“ and various training programs on different topics concerning information and product safety, health and occupational safety, quality, environmental and energy management, as well as sustainable procurement. We further rely on extra occupational training and advanced education offers in addition to foreign language and intercultural training, which are also included in technical training programs. They offer the possibility of learning or working temporarily or permanently at one of BADER’s international sites later on. BADER has worked together with the German leather industry to introduce new qualification opportunities recognized by the German Chamber of Commerce and Industry.





Diversity and Equal Opportunity

As embedded in our ► **Corporate Social Responsibility Policy** (BADER 2017a), we fully reject any discrimination no matter what the reasons are. On the contrary, BADER promotes diversity and equal opportunity for all of its employees (► **Chapter Sustainable Management**).

At our locations we have people working who have different backgrounds and experiences:

- Worldwide the average employee age is 37 years – in Mexico, for example, it is 32 and in Germany it is 42, which reflects the demographic trend in these countries
- Worldwide the proportion of female and male employees is on average about the same
- At our German sites, we have more than 30% foreign employees for years – we also employ recognized refugees
- At our German sites, the proportion of severely disabled persons is 2% - we are working to increase this percentage

We aim at keeping a balanced and stable workforce as far as possible, so we promote all our employees regardless of their age, level of education, nationality, etc. We promote language training as well as training and further education and at our German sites, for example, we support the balance between work and family life. When required, we also assist our employees in the search for carers for family members.

Our process for hiring and promoting builds on clear criteria and recruitment conditions. Since April 2017, temporary workers in Germany have a statutory equal pay right after nine months of uninterrupted work at a company. BADER supports this right and is always interested in a steady cooperation – and where possible – in taking over temporary employees. In addition, also before 2017 we paid voluntary bonuses and verified that that these were paid out to our temporary workers.

In the case of discriminatory statements or actions, our employees can contact our complaints office, their supervisor, or their employee representative. BADER checks complaints from a neutral standpoint and initiates the appropriate measures that are transparent for all involved.

Average age
37 years
worldwide

Proportion of female employees
47 %
worldwide

Proportion of foreign employees
30 %
in Germany



Planet – Environmental Responsibility

The economy and society cannot exist without functioning ecosystems and natural resources. This is why it is more important than ever that we preserve and conserve them for the present and future generations. BADER is aware of this environmental responsibility and is committed to a holistic resource management at all levels of the company and at all sites. We proactively assess the impact of our production processes and products on the environment and include them in our investment and every day decisions, in order to avoid or minimize environmental impacts.

Resources

Chemicals

Energy

Water

Emissions

Resources

As a manufacturer of one of the world's oldest natural materials, we accepted the challenge early of conserving resources in an environmentally progressive way and increasingly optimized material cycles through the life cycle. For years now, more than 80% of the material inputs (raw hide dry matter) are processed into finished leather, other products, and energy. Approximately 18% is sewage sludge and is materially used. The non-recyclable waste amounts to less than 2%.

The weight of the raw hide is dependent, among other factors, on species, origin and method of conservation and fluctuates significantly from one shipment to another. At our tannery site in Ichenhausen we have been using between 7-8 kg raw material per m² leather (finished and split leather) for years now. For decades, we have been looking for ways to recycle the remaining hide components and thus improving our economic and environmental balance.

Raw hide weight
in Ichenhausen

7-8
leather kg/m²

In order to achieve a desired thickness of the finished leather, we split the significantly thicker raw hides horizontally during the manufacturing process. We process part of the flesh split to split leather and the remaining parts, especially the so-called limed trimmings, into gelatin for the food industry.

We further process necks (15% of mass) to high-quality collagen, for example, for edible sausage skins or as a component in cosmetics. The flanks (8% of mass) after being processed are also usable materially as high-quality collagen and gelatin for the food industry.

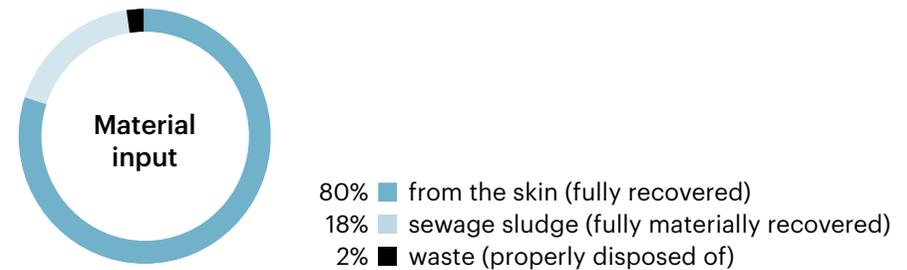


Figure 14: Material input at the tannery site in Ichenhausen (dry substance of the raw hide)

We shave the tanned leather to the final thickness desired by the customer and further process the resulting shavings (4-5% of mass) to LEFA (▶ **Chapter Product**), collagen and fertilizer or to Kollamat®, a high-quality injection molding material (▶ **Chapter Product**).

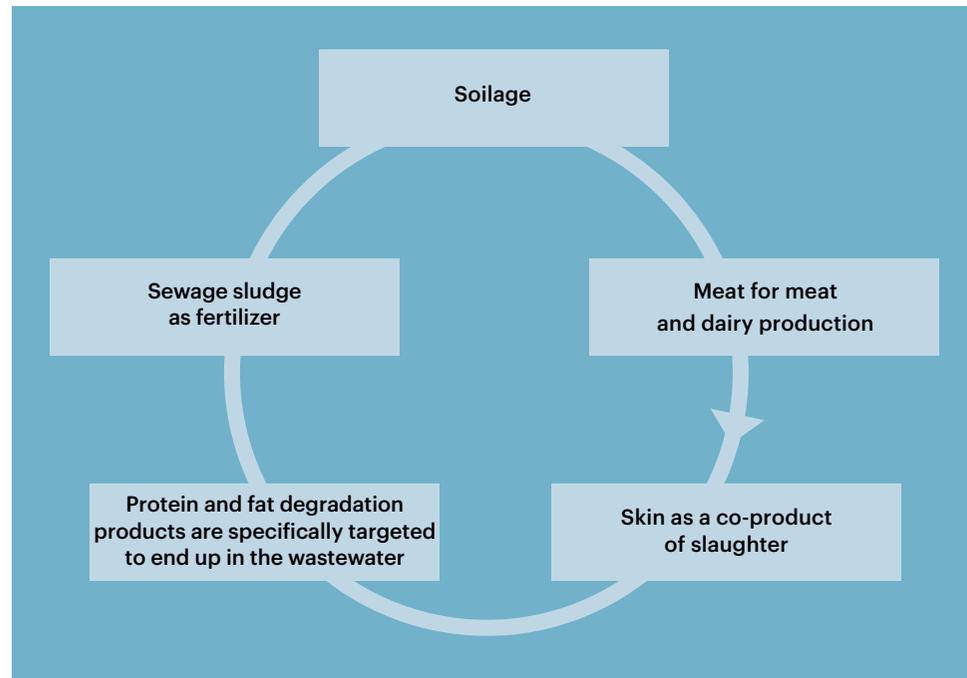


Figure 15: Circular economy in agriculture

In addition to these raw hide co-products, the sewage sludge represents a non-negligible mass percentage of 15-18%. From the separate treatment of the chromium-free and the chromium-containing wastewater results a chromium-containing sewage sludge, which serves as substitute for landfill material, as well as a chromium-free sewage sludge, which is materially usable in the agricultural sector.

In total, these material recovery paths account for between 60 and 70% of the total recovery and disposal balance. Thermal recycling constitutes further 30% to 40%, especially resulting from lime fleshings for biogas. Less than 2% of solid materials, such as coatings and paint sludge, oil contaminated operating materials or old chemicals, are not recyclable and worldwide properly disposed of. Despite a long-term recovery rate of more than 98%, we continue to search for ways of improving resource efficiency and securing existing recovery paths.

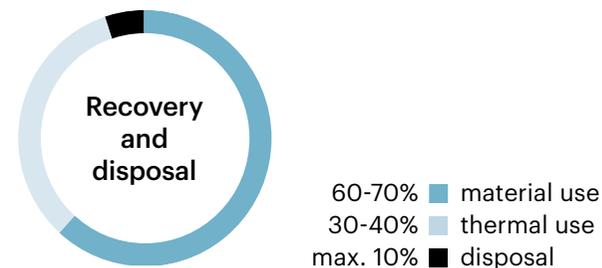


Figure 16: Recovery and disposal balance at the tannery site in Ichenhausen

Chemicals

The chemical demand depends on the quality of the processed raw hides and the product properties required. Due to the generally strict requirements from our customers in the automotive industry, we replace substances, which are potentially harmful to the environment or human health, mostly much earlier than legally required (► **Chapter Partnering**). In this context, we have also significantly extended the testing of chemicals before their use in order to avoid the use of possibly problematic substances with regard to leather contents, occupational safety, wastewater treatment, and food safety.

In the last 30 years, we have been able to optimize the use of chemicals through various process changes. At our tannery site in Ichenhausen, for example, our chromium recycling plant enables us to recover the complete chromium tanning agents present in the wastewater and thereby reduce the purchase of tanning agents by 25-30%. Worldwide we work with almost identical finishing formulas and systems and now use for the solely aqueous coating systems in the leather finishing process 70-85% roller application techniques (Synchro Roll Coating SRC, Reverse Roll Coating RRC and rubber roll coating). By this means, we were able to reduce the originally chemical intensive spraying technique (overspray) to 30-15% for which we use cutting-edge high volume, low pressure (HVLP) spray technique and quantity control as well as extremely low atomization air and 2-component dosage technology.

In this way we used between 200 and 300 kg of chemicals per t of raw material in Ichenhausen over the past seven years. This puts us significantly below the ► **EU Standard of Best Available Technology (BAT)** (EU 2013) that specifies 425 kg of chemicals per t of raw material.

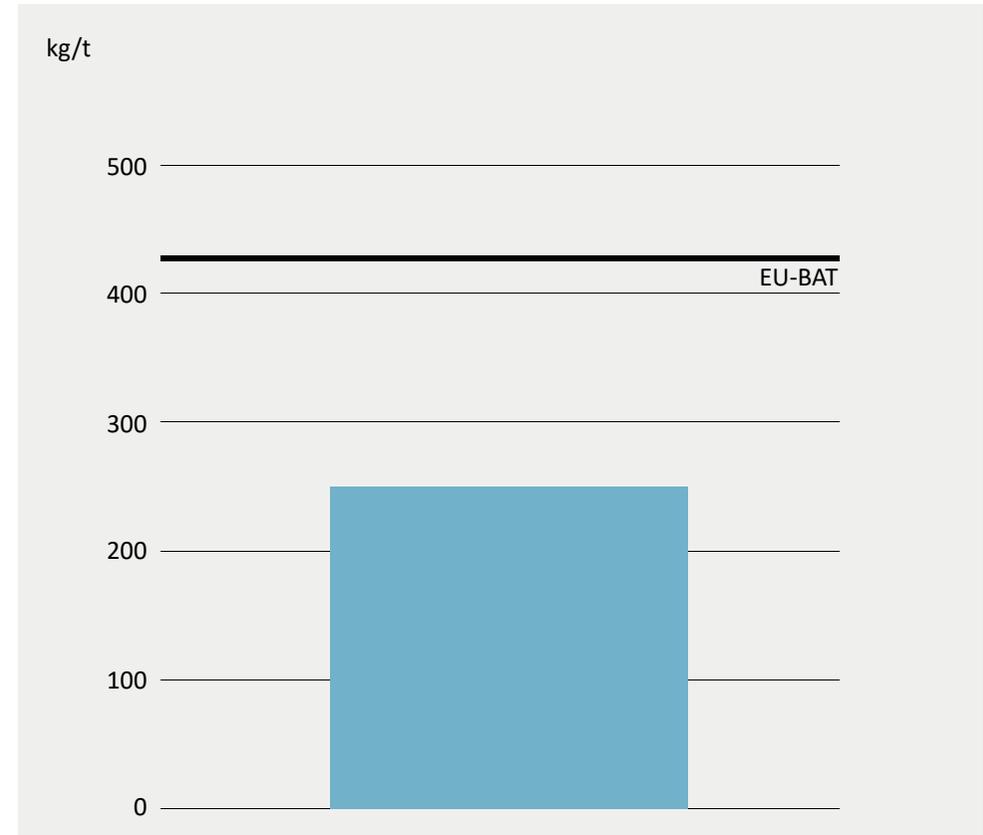


Figure 17: Chemical use at the tannery site in Ichenhausen 2010-2017 (in kg/t raw materials)

BADER constantly researches and further develops its products and processes, in order to reduce the use of chemicals in accordance with the wastewater treatment. The different leather tanning processes involve specific leather properties and different environmental impacts over the product life cycle.

For mineral tanning with chromium, there are ► **proven techniques and regulations** (CADS 2018) to produce safe and chromium-VI-free leather efficiently and cost-effectively including environmentally friendly wastewater and sludge treatment and the material use of the waste created – which BADER strictly applies.

In synthetic tanning with glutaraldehyde, leather exhibits a better shrinkage behavior in its reaction to a change of climate, but is more sensitive to moisture and heat and causes higher wastewater and sludge load than chromium tanning.

Plant-based tanning from renewable raw materials requires a higher amount of tanning agents at higher costs and longer tanning time. The wastewater treatment is more difficult since plant-based tanning agents are formed chemically from e.g. stable phenolic cyclic compounds which are very difficult to remove from wastewater and sludge.

The ideal tanning agent that only has positive properties over the entire life cycle and the dimensions of sustainability still does not exist. Against this background, we are pursuing various R&D projects on alternatives (► **Chapter Product**) that are both suitable for industrial use and do not endanger health and the environment.

Energy

Energy use is an important factor when seeking to improve the environmental impact of leather production – especially due to the drying processes. Therefore, we have been analyzing our energy use since 2007 in more detail and have been deducing short and medium-term practicable measures.

In this context, the ► **ECO₂L and LWG audit systems** (VDL 2013, LWG 2018) and their benchmarks play an important role in improving our environmental performance in general and energy efficiency in particular (► **Chapter Sustainable Management**). Apart from that, our German sites have been certified in energy management according to ISO 50001, since 2015.

Energy use at our ECO₂L-certified sites is below the energy benchmark Best Energy Efficiency for Tanning (BEET) which clearly reflects our successes in the holistic optimization of energy use. BEET bases on the ► **Best Available Techniques for the Tanning of Hides and Skins** specified by the EU in conjunction with worldwide data from progressive tanneries and allows a comparison of energy efficiency in production processes and of the equipment used in tanneries (Umweltbundesamt 2003, VDL 2013).

Our plants in China and Poland already meet the LWG Gold requirements. This is because here in particular, the drying process already takes place at the place of origin with direct natural gas burners, thus avoiding heat loss during transfer and transport. Since we wish to keep the LWG Gold level at these sites also with increasing requirements in the future, we are continuing to invest in expedient measures.

Both our factories in Ichenhausen and Mexico do not currently meet the Gold requirements in one of the evaluation categories, so at this state they only have the LWG Silver level certification.

At our tannery site in Ichenhausen, the energy use is crucial, especially since we are not yet able to implement the direct natural gas burners. Currently boiler technologies from the 1960s are still in use. Nevertheless, since 2010, we have reduced our energy-related performance by various technical measures, by good 40% (complete production), by using e.g.: LED lighting, highly efficient compressed air production, additional heat exchangers for hot water production, and heat recovery from compressor exhaust air. Furthermore, in 2017, we created the technical requirements for future measures: We have replaced the chimney so we can further reduce the temperature of the exhaust gas and have installed a gas connection so that as of 2018, we can convert our drying system along with the boiler system to direct natural gas burners.

Our plant in Mexico has already LWG Gold level in energy management, but still is convincing its sub-contractors and producers of semi-finished products to have their production sites audited by LWG (► **Chapter Partnering**).

Energy reduction
40% in Ichenhausen
2010-2017



Water

Water is one of the most important auxiliary materials for the tanner because it serves as a transport medium and a solvent for chemicals going into the hide and for decomposition products coming out of the hide. Therefore, two of our most important tasks that concern the environment are the economic use of water and the careful purification treatment of the resulting wastewater.

Our larger leather manufacturing sites that are LWG certified, achieve LWG Gold level in all sub-processes and have the most water-saving technologies worldwide. Through our centrally managed development, we ensure that in particular the retanning processes involve the same optimized processes worldwide. After the leather technical development stage, we improve new recipes in terms of run times, water use, and chemical use.

BADER has reduced its water use since the 1990s through various measures, so at our tannery site in Ichenhausen it amounts to 11 to 15 m³ per t of raw material. This puts the water use below the ► **LWG Gold level** of 14 m³ (LWG 2018) and significantly below the ► **EU BAT criteria** with 30 m³ per t of raw material. Instead of the sole supply of water coming from deep wells, in drinking water quality, we changed over to surface water from river in 2006, to conserve valuable drinking water resources.

It is not expedient to further reduce the water use, which would probably imply high concentrations of hide proteins and fat decomposition products and as result problems in the wastewater treatment.

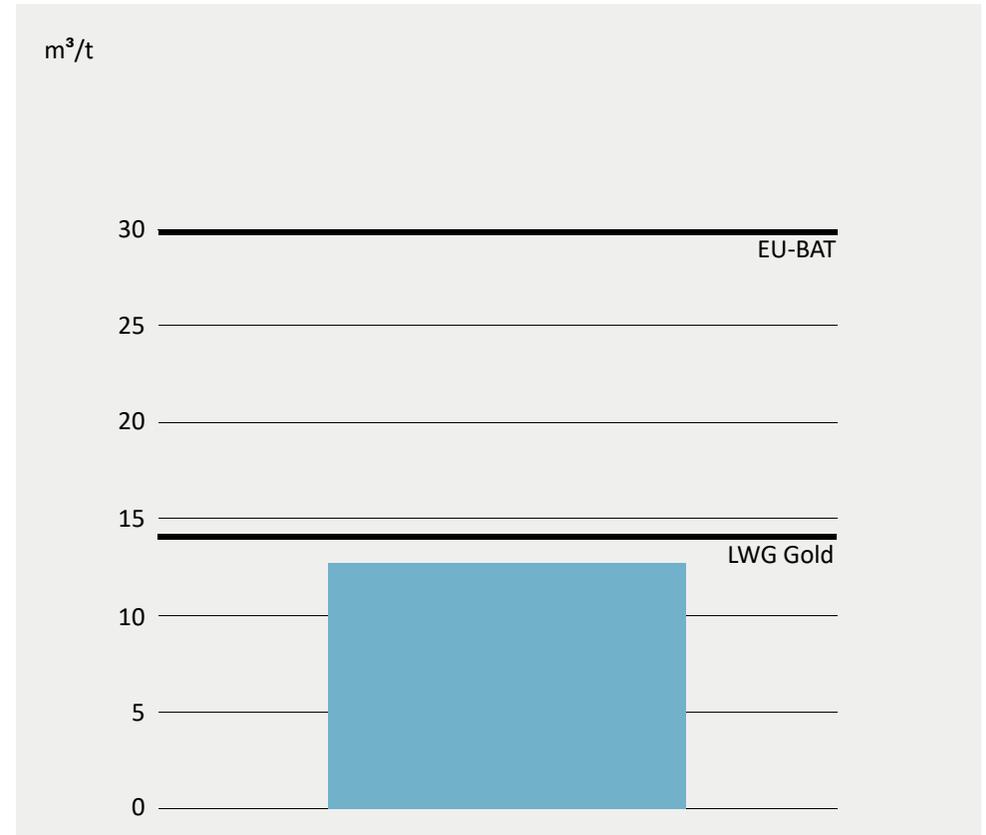


Figure 18: Water use at the tannery site in Ichenhausen 2010-2017 (in m³ /t raw materials)



With a view to wastewater treatment, over the past 7 years we have purified between 10 and 14 m³ wastewater per t of raw material in Ichenhausen. Our goal is to maximize the use of easily degradable chemicals. Chromium recycling – described in the section on chemicals – leads not only to the reduction of chemicals used, but also to a significantly lower wastewater load with chromium.

The water savings over the last decades caused a highly concentrated wastewater including inter alia nitrogen compounds. As one of the first companies in the tanning industry, we were largely able to ► **denitrify the wastewater in combination with a salt-free complete de-sulfidation** (BADER 2011). In this way, we can avoid an additional increase of salinity in the water and an increase in the use of chemicals, the – materially used – sludge quantity and ultimately higher costs. Without considering operational disturbances, we are in a position to reduce the ammonium content of wastewater to less than 10 mg/l and to eliminate the nitrogen compounds safely by at least 70% from the wastewater. The overall purification performance is comparable to the size of a sewage plant for a city with 50,000 to 60,000 inhabitants. We can introduce this purified wastewater back into a biologically intact body of water.

From 1997 on, we gradually developed, tested and implemented this modern, fully biological purification technology on an industrial scale, in close cooperation with authorities and experienced internal and external engineers. Since 2000, the wastewater treatment plant has been running without incident. It represents the current state-of-the-art technology and has been listed as a model facility in the ► **EU BAT reference documents** since 2001 (EU 2013).

Cleaned water
in Ichenhausen 2010-2017
10-14 m³/t
raw materials

Emissions

At its sites worldwide, BADER consistently implements improvement measures to reduce resource use and emissions significantly – particularly carbon dioxide, volatile organic compounds (VOC), and hydrogen sulfide.

The approximate **carbon footprint** of the BADER group (BADER 2015b) amounts to 2-3 kg CO₂e/m² leather. This corresponds to less than 1% of emissions for the manufacture of an average middle-class automobile and less than 0.2% relative to its entire lifespan. We are in the process of further specifying this and collecting information from all the sites through the scientifically based **ECO₂L system** (VDL 2013). Currently, reliable data are available in particular for production, procurement shipments of the input materials, as well as wastewater, exhaust air, and waste management. A further itemization, such as for chemical manufacturing, is in progress.

In the past 30 years, through the measures already described in the section on chemicals regarding the elimination of the use of solvents, we have been able to reduce the VOC emissions to the extent that this task can be considered largely resolved. The annual average values of the VOC emissions lie between 9 and 23 g carbon per m² finished leather and thus mostly well below the specified limits in the **Industrial Emissions Directive (IED) 2010/75/EU** (EU 2013, 2010).

CO₂ emissions **2-3**
kg CO₂e/m²
 finished leather of the BADER group

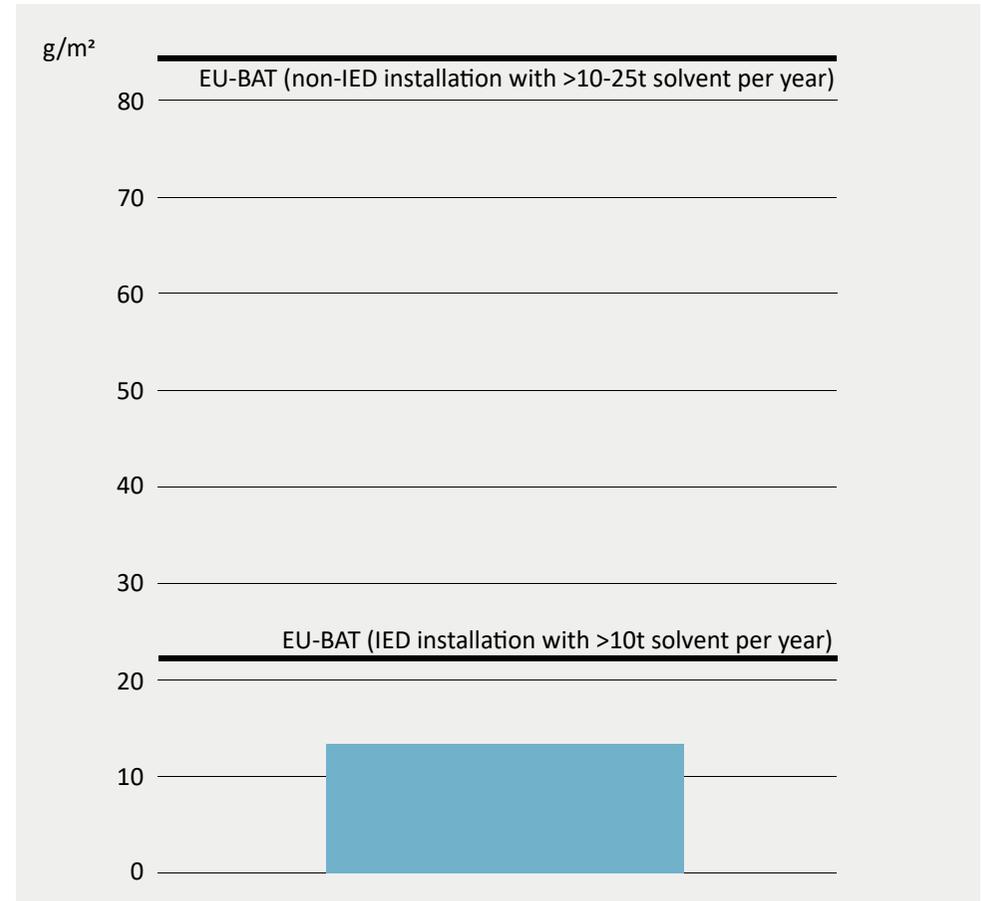
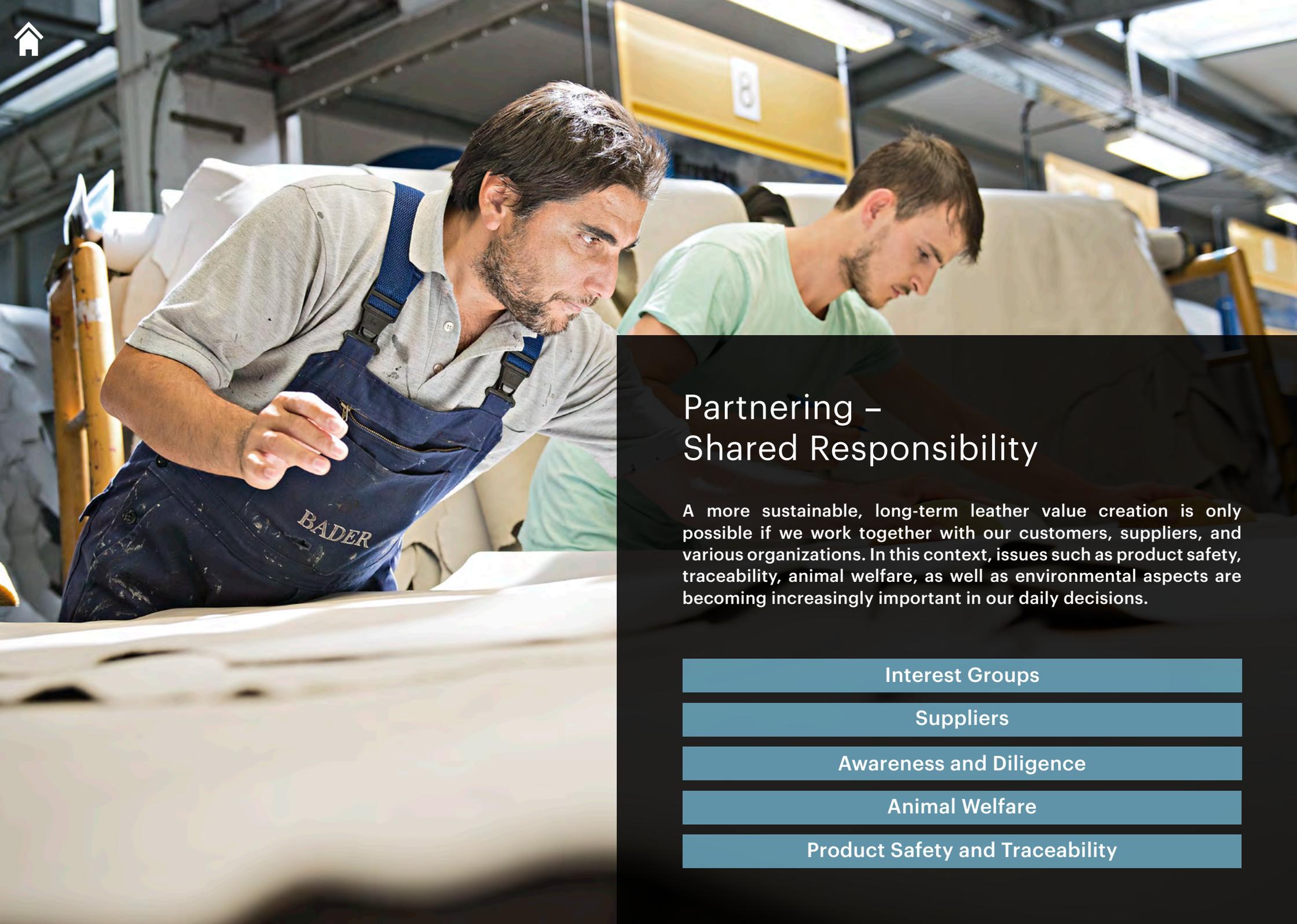


Figure 19: VOC emissions at BADER (g carbon per m² finished leather)



Partnering – Shared Responsibility

A more sustainable, long-term leather value creation is only possible if we work together with our customers, suppliers, and various organizations. In this context, issues such as product safety, traceability, animal welfare, as well as environmental aspects are becoming increasingly important in our daily decisions.

Interest Groups

Suppliers

Awareness and Diligence

Animal Welfare

Product Safety and Traceability

Interest Groups

We are convinced that we are often better able to develop solutions to global challenges in cooperation with various interest groups. Through close and continuous exchange, we identify challenges and develop future-oriented approaches to solutions and standards for a more sustainable leather industry. These include our internal and external interest groups.

We are in constant dialog with our suppliers and customers to ensure the high standards of required product properties, while facing the challenges such as product safety, animal welfare, traceability, and environmental aspects throughout the entire supply chain.

We participate in national and international R&D projects regarding a more sustainable leather production that are concerned with the use of chemicals, work safety, and emissions, for example.

At our sites, we cooperate with educational institutions and associations in designing and implementing initial vocational education and further development programs.

We are in close contact with government authorities, local associations, organizations, and certification authorities. Here we use our knowledge, for example, to assist in developing guidelines for international standards, technical documents or instructions to improve safety, environmental, and animal welfare standards for the global leather industry.

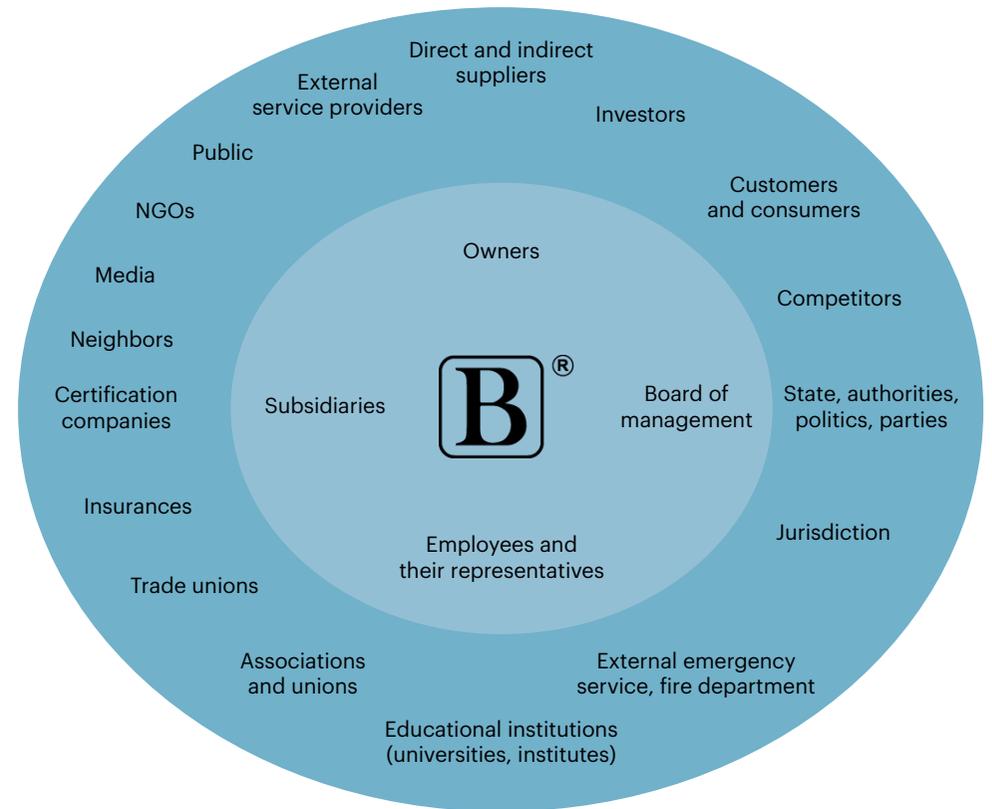


Figure 20: Our interested parties

Suppliers

Our purchasing teams are responsible for the procurement of raw hides, chemicals, and all other materials used, as well as for investment and purchasing spare parts for the entire BADER group. Our sites worldwide are closely linked and thus procurement for all sites is centrally controlled.

Our raw material purchasing is one of the most important areas of our production chain, since the raw hides account for more than half of the sales price of our finished leather. We receive our raw materials and semi-finished products from more than 60 global suppliers consisting of raw hide dealers, abattoirs, and semi-finished product manufacturers. Our buyers in all leather factories worldwide deal with handling the quantitative, sustainable supply needed for production of high-quality goods. We buy our raw hides from local suppliers and companies, as much as possible. Apart from supporting the respective regions, we thereby reduce logistics efforts and CO₂ emissions.

The Global Supply Chain Management team manages the complex supply relationships in the ever advancing globalization of the world. It provides a solid basis for specifically initiating improvements, making logistics and production more efficient, and the entire planning more secure. We thereby avoid wastage, design production and transport for efficiency, and save costs. BADER has a very detailed analysis of the internal factory-to-factory connections and the complete flow of goods including procurement from suppliers. Only in this way, we can effectively predict the finished leather requirements for all factories and create a forecast of requirements. This enables the long-term visualization of the factory requirements and individual capacity utilization. We can manage and develop suppliers more effectively or also terminate cooperation.

The collection and processing of the data over a long period of time, enables BADER to optimally economize resources and thus achieve sustainability for years to come.

Apart from suppliers for raw materials and semi-finished products, BADER works together with more than 1,800 suppliers for all other materials for our leather, cutting and sewing factories. They are located mainly in the European region with a global network of locations that enables us to adapt effectively and efficiently to our market. We procure services locally to 99% and centrally manage investments worldwide which enables synergies in procurement, logistics, and technology.

For raw hides and semi-finished products

60
suppliers

For all other materials

1,800
suppliers

Awareness and Diligence

Out of a sense of responsibility toward people, society, and the environment, BADER also promotes a more sustainable production along the supply chain. Our fundamental values and principles of conduct beyond legal requirements are embedded in our ► **Corporate Social Responsibility Policy** (BADER 2017a). In addition, the ► **Code of Conduct for our Business Partners** (BADER 2017b) specifies the basic principles of conduct which are an inherent part of the day-to-day dealings and business policies. Since 2017, we already have been able to motivate 80% of our raw hide suppliers and producers of semi-finished products to sign this Code of Conduct.

Our supply chain strategy is also part of the terms and conditions of purchase, contracts, and agreements, such as chemicals, quality, and environmental security agreements with our materials suppliers whom we also urge to build capacity to better meet their due diligence responsibilities. Our ► **Terms and Conditions of Purchase** (BADER 2012) specify our requirements, such as environmentally friendly packaging and product safety. Likewise, our activities to ensure product safety are integral parts of our supply chain strategy.

The introduction of a Procurement Supplier Evaluation System and its worldwide use in the area of Supplier Quality Assurance makes it easier for us to detect any risks along the supply chain for raw materials and semi-finished products, early on. At the top executive level, we evaluate the results of the risk assessment of the supply chain and develop strategies for risk mitigation.

In all this, we seek a relationship based on trust and pursue cooperation and constant dialog with our suppliers. This is more important than ever because of the BADER group's continuing global growth and the resulting increasingly more complex supply chains. So we see our suppliers as partners and vice versa.

We evaluate and visit our suppliers regularly based on economic, environmental, and social criteria. BADER employees are on-site on a regular basis at all our major suppliers, in order to control and monitor their compliance with our requirements.

We strengthen the supply relationships by giving feedback for each delivery. Where possible, we support the suppliers, for example, to help them improve their process automation.

Regular and close contact with our suppliers is necessary in order to gain exact knowledge of the properties, characteristics, and origin of the materials used, not to miss changes in the market, and react on current developments in the supply chain. This is the only way we are able to promote sustainability in areas such as product safety, animal welfare, traceability, and environmental aspects.

We are committed to raising the sustainability and management system standards in our supply chain and urge our contract tanners and suppliers of semi-finished products to have their production sites certified by the LWG (► **Chapter Sustainable Management**). Between 2012 and 2017, more than half of our suppliers were certified. An additional 15% are to follow in 2018.

LWG certified
>50%
of the contract tanners
and suppliers of
semi-finished products



Animal Welfare

The BADER group only processes hides from domestic cattle. Due to particular demands on the properties of raw hides, we can rule out the processing of raw hides of wild animals that are listed in the **► Convention on International Trade in Endangered Species of Wild Fauna and Flora** (CITES 1983). The size of a raw hide varies, depending on the breed, weight, and sex of the animal. On average, we process hides having a finished leather size of 4.2 m² that come exclusively from weaned, fully grown cattle.

Long-term, sustainable economic growth is only possible if animal welfare aspects are taken into account. The basis of the present EU animal protection policy is the concept of the **► Five Freedoms** of the Farm Animal Welfare Council (FAWC) (see Figure 21) which originated in the UK and that BADER is guided by. As the logical consequence of our responsibility to society and the environment, respecting animal welfare throughout the supply chain back to the raw hide suppliers is an important prerequisite for mutual and sustainable actions.

We deliberately refuse raw materials from countries with insufficient controls and traceability, as well as a high risk of non-compliance with animal welfare. With our focus on the main procurement markets of Australia, Europe, South Africa and North America, we ensure that the cattle are bred, kept, transported, and slaughtered under the best possible conditions.

European animal welfare laws are considered the most stringent in the world and strict regulatory controls guarantee the best possible compliance. Animal protection is as national goal, embedded in the constitutional laws of the EU member states and livestock farming, transport, and cattle slaughtering are strictly regulated by law. Australia, as one of the largest cattle raising nations of the world also has comprehensive laws and regulations concerning animal welfare and protection and implemented the Five Freedoms as a basis of all legal regulations for animal protection.

North America has also adopted a multitude of laws and regulations for the protection of cattle that concern livestock farming, transport and slaughter. South Africa, as an agricultural state, has shown in its **► Animal Welfare Strategic Implementation Plan** (Department Agriculture, Forestry and Fisheries 2015) that its animal protection laws are incomplete and require a comprehensive update in order for the country to face up to international competition. Our South African suppliers recognized this trend years ago and carry out production according to European and American standards.

Employees responsible for procuring our raw hides regularly visit abattoirs and livestock farms, keep internal check lists and document the animal welfare standards, supplier activities, and developments of our suppliers. Animal welfare is a relevant aspect in the supplier selection process and, in future, will become increasingly important in the evaluation process of raw hide sources.

We are working on the implementation of animal welfare in our local purchasing conditions and sustainability strategy. In addition, we participate in the LWG's Animal Welfare Group and inform, discuss, and promote activities to improve animal protection and welfare globally.

Freedom from hunger and thirst
Freedom from discomfort
Freedom from pain, injury and disease
Freedom to express normal behaviors
Freedom from fear and stress

Figure 21: Five Freedoms (FAWC 2012)

Product Safety and Traceability

BADER, together with its customers and suppliers, is dedicated to working on product safety and traceability of materials used, in order to avoid and prevent health risks to employees, customers, consumers, and the environment.

We develop innovative alternatives to substitute harmful with alternative substances. Our product safety officers at our sites worldwide ensure that risks in product development are identified, avoided or minimized, and controlled by process development. In particular, they ensure that safety-related parameters such as flame retardancy or emissions, at both BADER as well as their suppliers, are taken care of. In this context, since 2015, we name our product safety officers and deputies and query them on our supplier side as well. In the meantime we have this information for all of our key chemical suppliers and 65% of the suppliers of direct materials. We also plan to introduce a product safety system.

Via the International Material Data System (IMDS) of the automotive industry, we provide our customers with information on the materials used in the semi-finished products and parts so they get a complete picture of the final product. This is accompanied by extensive random sampling and periodic checks of leather substances and emissions.

In the so-called BADER Black List that includes prohibited substances and those subject to declaration, we list substances, materials, and material groups that must not be contained in any of the products or goods delivered to us. This list of banned substances builds on statutory regulations, customer requirements, and further requirements that we have defined for our suppliers. Where there are deviations, we need to decide in consultation with our customers and suppliers, whether these substances can be used at all and whether substitutes are available that fulfill the

technical safety, environmental, social, and economic criteria. To constantly safeguard this, we are motivating our suppliers for chemicals and purchased parts to enter into agreements that cover chemicals, quality, and environmental safety. Concerning the quality of incoming goods, we carry out incoming goods controls at the sites.

Through our identification systems on every semi-finished and finished product, we are in a position to trace the entire production process chain in our factories back to the raw material. The further traceability of hides is also becoming increasingly important as it influences animal welfare and animal husbandry, ethically correct and transparent sources, and the environment. Through complete documentation and marking we are able to assign the supplier to individual hides at any time during the production process and to retrace the origin of the hides. We continually optimize our system of traceability by strategically steering trade relations, closely collaborating with our partners and keeping open communication with our suppliers.

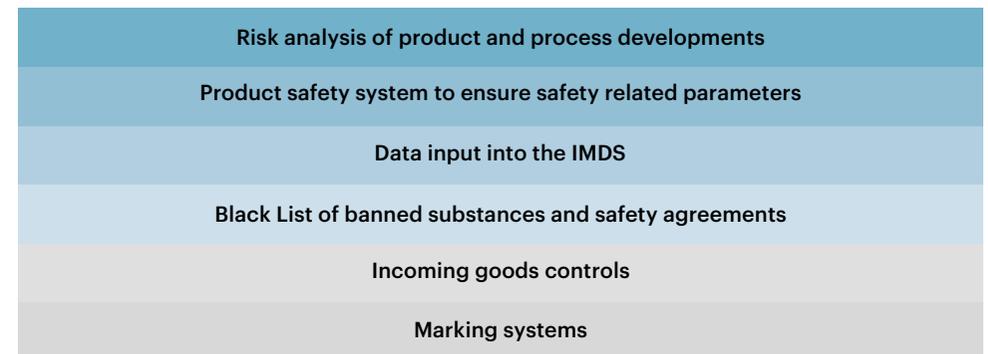
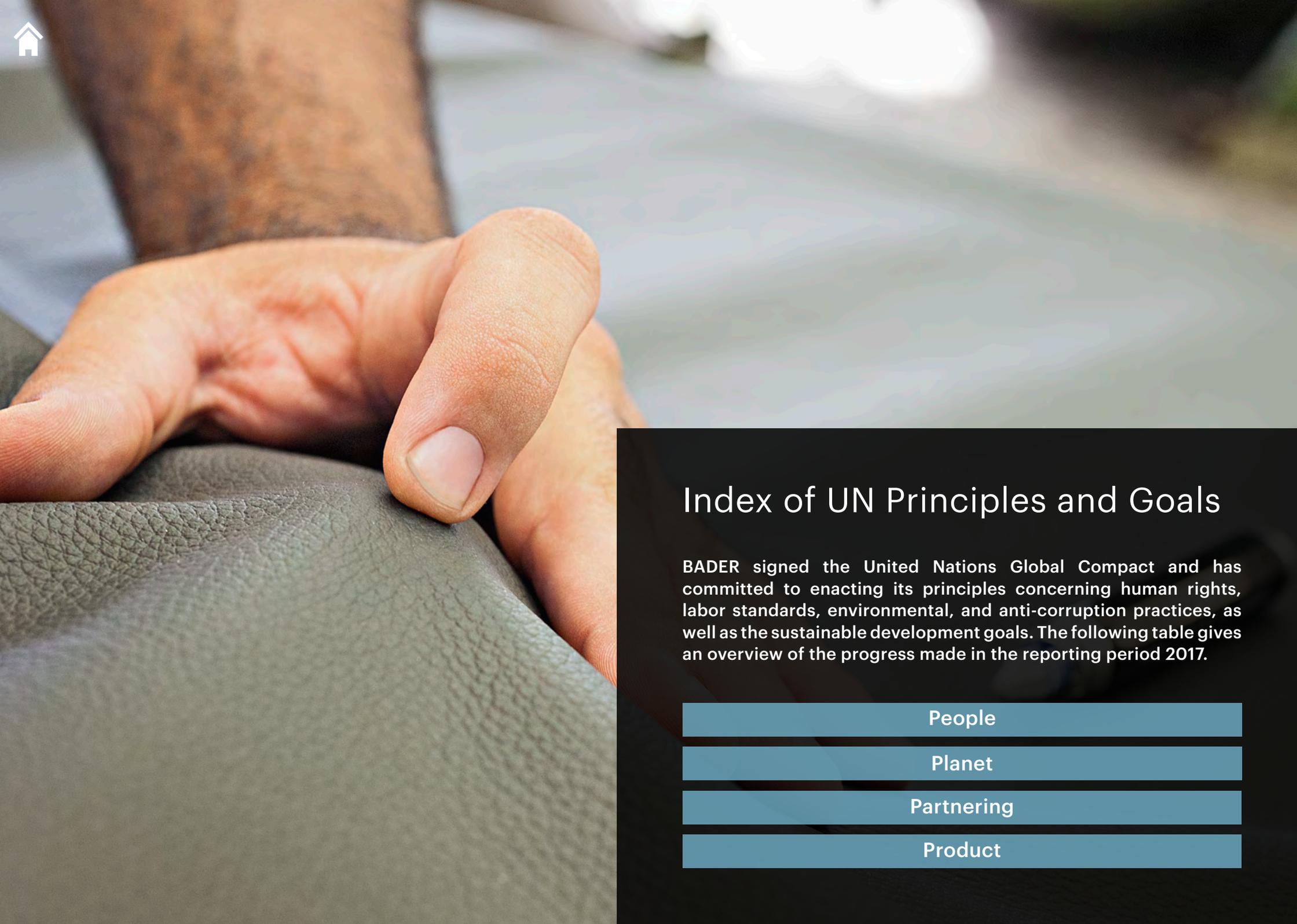


Figure 22: Product safety and traceability at BADER



Index of UN Principles and Goals

BADER signed the United Nations Global Compact and has committed to enacting its principles concerning human rights, labor standards, environmental, and anti-corruption practices, as well as the sustainable development goals. The following table gives an overview of the progress made in the reporting period 2017.

People
Planet
Partnering
Product

People

UN Principles

Principle 1:
Support and respect human rights

Principle 2:
No complicity in human rights abuses

Principle 3:
Uphold freedom of association and recognition of collective bargaining rights

Principle 4:
Elimination of all forms of forced and compulsory labour

Principle 5:
Abolition of child labour

Principle 6:
Elimination of discrimination in respect of employment and occupation

UN Goals Basis / Goals



Social commitment



Ensure fair working conditions



Promote and maintain employment



Promote health and safety



Promote education and training



Promote diversity and equality of opportunity

Activities and Results

The BADER group and the „Hans-Bader-Stiftung“ support research, employment, health, safety, and welfare of young and older people worldwide.

BADER's company and personnel management work proactively with the employee representatives – including on collective agreements.

BADER is keen to keep employees and take on external workers.

BADER offers regular safety training and health programs and analyzes processes and safety equipment.

At all sites there are first responders and professionals for occupational safety who are trained regularly.

For serious occupational accidents, there is a mandatory reporting procedure.

A new launch has been planned for the ISO 45001 for health and occupational safety on one site. The conclusions are helpful for all our subsidiaries.

BADER has a portfolio that offers a wide range of in-company education and advanced training – in 2017 the training ratio was 6.7% in Germany.

BADER promotes its employees equally, regardless of their age, level of education, nationality, etc. – in 2017, the worldwide average age of employees was 37 years, the proportion of female employees worldwide was 47%, the proportion of foreign employees in Germany was 30% and the percentage of disabled employees in Germany was 2%.

Planet

UN Principles

Principle 7:
Support a precautionary approach to environmental challenges

UN Goals Basis / Goals



Holistic optimization of the use of raw materials, chemicals, energy, water, wastewater, solid waste, and air emissions

Integrated Management System with certifications based on different international standards that include ecology

Activities and Results

BADER researches and develops its products and processes continuously, in order to optimize the use of resources and the resulting emissions for water, soil and air – between 2010 and 2017 at our Ichenhausen tannery site

- We used 7-8 kg raw material per m² leather
- We used 200-300 kg of chemicals per t of raw materials used (EU BAT: 425 kg)
- We reduced the energy-related performance by 40%
- We used 11-15 m³ of water per t of raw materials used (LWG: 14 m³, EU BAT: 30m³)
- We purified 10-14 m³ of wastewater per t of raw materials
- We recovered more than 98% of the resources used materially or thermally

The carbon footprint of the BADER group amounts to 2-3 kg CO₂e per m² leather, the VOC emissions amount to 9-23 g carbon per m² leather.

- We are in the process of gradually introducing certification – at the end of 2017 we had
- 64% of our sites certified according to ISO 14001
 - 18% of our sites certified according to ISO 50001
 - 57% of the leather manufacturing sites certified according to ECO₂L that also have lower values than those specified in the BEET energy benchmark
 - 57% of the leather manufacturing sites certified according to LWG, including 2x LWG Gold and 2x LWG Silver

In 2018 we are planning further site certifications according to ISO 14001, LWG, and ECO₂L.

Partnering

UN Principles

Principle 8:
Undertake initiatives to promote greater environmental responsibility

Basis / Goals

Establishing a more sustainable supply chain

Activities and Results

BADER promotes sustainability in its business worldwide with more than 60 suppliers of raw materials and semi-finished products and 1,800 suppliers for all other materials by:

- Defining basic principles of conduct in our Code of Conduct for our Business Partners
- Defining our supply chain strategy as part of the Terms and Conditions of Purchase, contracts, and agreements
- Assessing risks in the supply chain and developing strategies for risk mitigation
- Conducting regular supplier evaluations and on-site visits

Between 2012 and 2017, more than half of our raw material and semi-finished product suppliers introduced the LWG certification and an additional 15% are to follow in 2018.

Animal Welfare

BADER deliberately refuses raw materials from countries with insufficient controls and traceability, as well as a high risk of non-compliance with animal welfare laws. BADER employees responsible for procuring our raw materials regularly visit abattoirs and livestock farms where they keep internal check lists and document the animal welfare standards, supplier activities, and developments. We incorporate animal welfare aspects when selecting our raw hide suppliers. In future, this will become increasingly important in the evaluation process of raw hide sources.

Product safety and traceability of materials used

BADER is dedicated to product safety and traceability through:

- Notifications about the product safety officers of our sites to our customers and inquiries to our suppliers – at the end of 2017, we had this information for all key chemical suppliers and 65% of the suppliers of direct materials
- Use of the „BADER – Black List“, a list of banned substances
- Entering the materials employed in the IMDS
- Tracking of the semi-finished and finished products back to their raw materials – R&D projects are currently underway to further traceability back to the livestock owner

Product

UN Principles

Principle 9:
Develop and diffuse environmentally friendly technologies

Principle 10:
Work against corruption

UN Goals Basis / Goals



R&D initiatives and technology transfer

Integrated Management System with certifications based on different international standards that include products

Commit to legal and fair competitive behavior

Dealing with complaints

Activities and Results

BADER is always looking for new ways to achieve a high-value material use of raw hides and now markets many co-products such as split leather, gelatin, LEFA, collagen, fertilizer, and Kollamat®.
BADER develops more sustainable products and processes at individual sites and, after successful testing, gradually implements them worldwide – at the end of 2017, 27% of our projects were motivated by sustainability aspects beyond technical-economic aspects.

- Supporting
- 100% of our sites are certified according to ISO 9001 / ISO/TS 16949 or are in the implementation phase
 - 10% of our sites are certified according to ISO 17025

Implementation and control through our Corporate Social Responsibility Policy, integrated management system, management reviews, training, and supplier meetings and audits.

There were and are no legal proceedings pending against BADER. No penalties were imposed, nor have any been threatened or are to be expected.

Any party affected can contact our complaints office, supervisors, or employee representatives.



References

- BADER (2018) Certificates. <http://bader-leather.com/zertifikate>
- BADER (2017a) Corporate Social Responsibility Policy of BADER Group. http://bader-leather.com/files/bader_csr_policy_en.pdf
- BADER (2017b) Code of Conduct for BADER Group's Business Partners. http://bader-leather.com/files/bader_code_of_conduct_for_business_partners_en_1.pdf
- BADER (2016) The Quality, Environmental and Energy Policy of Bader Group. <http://bader-leather.com/files/qm-em-energy-policy-2016-en.pdf>
- BADER (2015a) Competence Centre Sustainability Statement – Environment – History-Highlights. http://bader-leather.com/files/history_highlights_environment_2015.pdf
- BADER (2015b) Competence Centre Sustainability Statement – Sustainability in leatherproduction, life cycle assessment methods, certifications and labeling. http://bader-leather.com/files/statement-sustainability_2013_2015.pdf
- BADER (2012) GTCs. <http://bader-leather.com/en/gtcs>
- BADER (2011) Biologische Stickstoff-Elimination – bei gleichzeitiger biologischer Sulfidoxidation: ein Bericht nach etwa 13 Jahren Betriebserfahrung. Pressemitteilung. http://bader-leather.com/files/2011_10_biologische_stickstoff_elimination.pdf
- CADS (2018) The Guide for Leather Manufacturers – Recommendations for the avoidance of chromium(VI) formation. <https://www.cads-shoes.com/en/shop>
- CITES (1983) Convention on International Trade in Endangered Species of Wild Fauna and Flora. Amended in Gaborone on 30 April 1983. <https://www.cites.org/eng/disc/text.php>
- Department Agriculture, Forestry and Fisheries (2015) Animal Welfare Strategic Implementation Plan to the Veterinary Strategy. <http://www.nda.agric.za/docs/media/Animal%20Welfare%20Strategic%20IMPLEMENTATION%20PLAN%20TO%20THE%20VET%20STRATEGY%2030%206%202015.pdf>
- Elkington J (1994) Towards the Sustainable Corporation: Win-Win-Win Business Strategies for Sustainable Development. California Management Review 36 (2): 90 - 100.
- EU (2013) Commission Implementing Decision of 11 February 2013 establishing the best available techniques (BAT) conclusions under Directive 2010/75/EU of the European Parliament and of the Council on industrial emissions for the tanning of hides and skins. 2013/84/EU. http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2013.045.01.0013.01.ENG
- EU (2010) Directive 2010/75/EU of the European Parliament and of the Council of 24 November 2010 on industrial emissions (integrated pollution prevention and control). <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32010L0075&from=DE>
- FAWC (2012) Five Freedoms. <http://webarchive.nationalarchives.gov.uk/20121010012427/http://www.fawc.org.uk/freedoms.htm>
- LWG (2018) LWG Environmental Audit Protocol Responses Report. Issue 6.5.3. <https://www.leatherworkinggroup.com/how-we-work/audit-protocols/main-protocol>
- Umweltbundesamt (2003) Integrierte Vermeidung und Verminderung der Umweltverschmutzung (IVU) - Referenzdokument über die Besten Verfügbaren Techniken für die Lederindustrie. https://www.umweltbundesamt.de/sites/default/files/medien/2503/dokumente/bvt_lederindustrie_vv.pdf
- UN (2018) Transforming Our World: The 2030 Agenda for Sustainable Development. <https://sustainabledevelopment.un.org/content/documents/21252030%20Agenda%20for%20Sustainable%20Development%20web.pdf>
- UN Global Compact (2018) The World's Largest Corporate Sustainability Initiative. <https://www.unglobalcompact.org/what-is-gc>
- UNIDO (2012) Life Cycle Assessment, Carbon Footprint in Leather Processing: Review of Methodologies and Recommendations for Harmonization. https://leatherpanel.org/sites/default/files/publications-attachments/lca_carbonfootprint_lpm2012.pdf
- VDL (2013) Handbook. http://www.eco2l-leather.com/wp-content/uploads/2013/01/ECO2L-Leitfaden.Handbook-complete-1-2013_GB1.pdf



Abbreviations

BAT
Best Available Technique

BEET
Best Energy Efficiency for Tanning

CCS
Competence Center Sustainability

CITES
Convention on International Trade in Endangered Species of Wild Fauna and Flora

CO₂e
CO₂ equivalents

CSR
Corporate Social Responsibility

ECO₂L
Energy Controlled Leather

FAWC
Farm Animal Welfare Council

HVLP
High Volume Low Pressure

IED
Industrial Emissions Directive

IMDS
International Material Data System

LEFA
Leather Fiber (German: Lederfaser)

LWG
Leather Working Group

RRC
Reverse Roll Coating

SDG
Sustainable Development Goals

SRC
Syncro Roll Coating

UN
United Nations

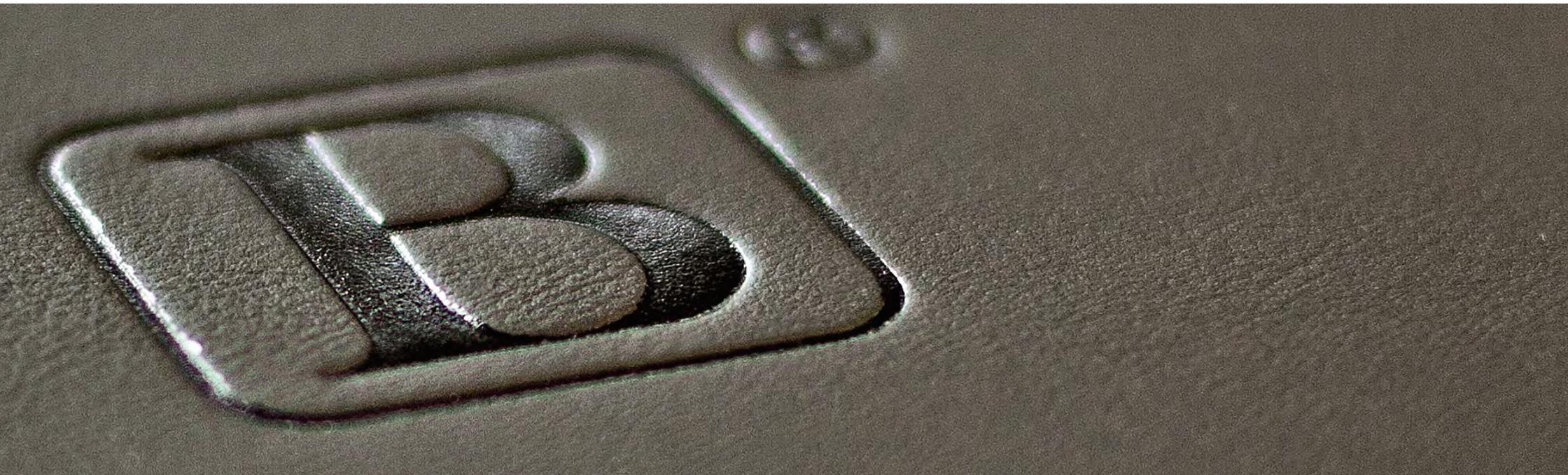
UNIDO
United Nations Industrial Development Organization

VDL
German Leather Federation (German: Verband der Deutschen Lederindustrie)

VOC
Volatile Organic Compounds



Legal Notice and Contact



Published by:
BADER GmbH & Co. KG (BADER Goup)
Metzgerstrasse 32-34
D-73033 Göppingen

Phone: +49 7161-6728-0

Contact:
Project Manager Sustainability
Dr. Ramona Rieckhof
CCS-100@bader-leather.com

Phone: +49 7161-6728-427

Additional information on BADER and
its commitment to sustainability is
available here:
www.bader-leather.com

