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Statement of our Management

As a leading manufacturer of premium leather for the automotive industry, we are committed to a global presence, to responding flexibly to market fluctuations and to pursuing visionary innovations for our leather products.

Dear Readers,

Welcome to our third sustainability report, which offers an overview of BADER's activities in the field of sustainability in 2019. As a signatory to the United Nations Global Compact, we continue to support its human rights, labor, environment and anti-corruption principles as well as the Sustainable Development Goals. It is important that we demonstrate this commitment through concrete measures and data.

In addition to economic difficulties in the automotive industry, debates around animal welfare, meat consumption and deforestation of the Amazon rainforest were frequently discussed in 2019. BADER is fully aware of its responsibility as a producer of high-quality automotive leather and is constantly working on maintaining a sustainable leather value chain. Our plants worldwide comply with high standards for waste recovery, recycling, emissions, supply chain controls and social standards.

All these efforts are now bearing fruit, as we were recognized as one of Germany's Most Valuable Companies in the Focus Money rating and received the Dalian Best Employers Award for our site in China.

We are convinced that responsibly produced leather that meets stringent quality standards will always be a high-quality option for car interiors. Leather has been valued for many years for its unique properties, longevity and durability. By using a by-product from the food industry, waste is converted into a renewable material. At BADER, we are committed to ensuring that leather remains the choice of preference when selecting sustainable materials.

We hope you will enjoy reading this third progress report for 2019 and that it will reassure you of our commitment to the future.

Yours sincerely,



Thomas Bader **Lothar Bauhofer** **Bent Dreilich** **Jürgen Erb** **Marcus Röhling**



One 4 Leather initiative

April

July



FRISCH AUF! sponsoring in Germany
(► FRISCH AUF! 2020)

July

Best Employers Award for BADER China

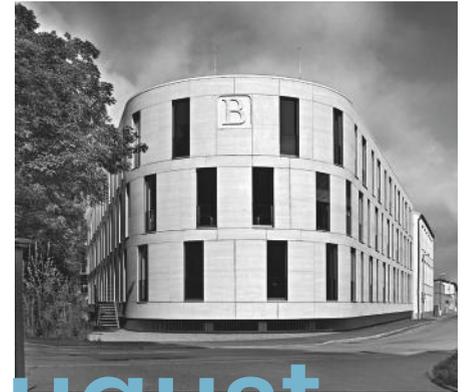


August



Installation of solar panels in South Africa

August



Recognition of BADER as one of Germany's Most Valuable Companies in Focus Money rating



National Award for Citizen Excellence for BADER school in Uruguay

September

November



ECO₂L
Energy
Controlled
Leather

ECO₂L certification for BADER Uruguay

Production launch of ecological bricks in Uruguay

December



LWG Gold level for BADER Mexico

GOLD RATED
AUDITED AGAINST LWG STANDARDS

November

December

We act lawfully and with fairness

We walk together side by side

We respect human dignity

We create fair working conditions

We ensure requirements are met

We want to continuously improve in all areas

New BADER Group Policy



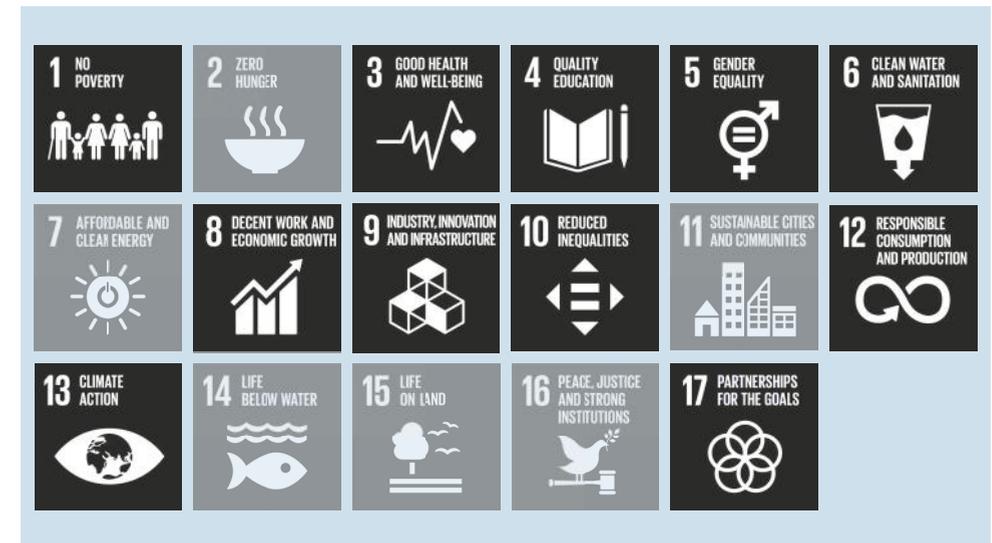
About this Report

BADER is a signatory to the ► **United Nations Global Compact (UN Global Compact 2020)** and is committed to upholding its Ten Principles concerning human rights, labor standards, environment and anti-corruption practices as well as the 17 Sustainable Development Goals (SDGs) of the ► **2030 Agenda for Sustainable Development (UN 2018)**. The Global Compact Principles act as a “compass” to help point the way and the SDGs as a “lighthouse” for orientation.

To meet the challenges of sustainable development, companies are asked to contribute their creativity and innovation and to act in a responsible and targeted manner within their own sphere of influence. To this end, we are embedding the Global Compact principles and the SDGs into our strategy, policies and procedures, culture and ultimately our day-to-day business.

To determine the specific topics that we can really get behind, BADER has assessed the 17 SDGs for relevance and influence. In so doing, we have taken into account the societal and environmental effects of production processes and end-products as well as our ability to influence change. The 11 goals over which we have particular influence are highlighted in the figure on the right. They are listed numerically and do not correspond to any evaluative ranking. Our sustainability report provides more details on the SDGs that we consider essential. This is our third annual report since 2017 covering the reporting period for the 2019 calendar year (January 1 to December 31).

The material Sustainable Development Goals (SDGs) for BADER





About this Report

This sustainability report links BADER's activities to the Global Compact Principles and SDGs and assesses our contribution in the relevant areas. We have structured the report using the ► **3P concept (Elkington 1994)**, which describes the three dimensions of sustainability: product (economy), planet (environment) and people (society). We have added partnering (cooperation) to these three dimensions as it is only by working together with our customers, suppliers and other interest groups

that we can achieve the SDGs holistically across the entire value chain. Sustainable management forms the basis of our commitment in these four areas. The structure underlying the sustainability report and how it links with the SDGs is shown in the figure below. The goals and the Global Compact Principles that are addressed by our sustainability activities are also indicated on the title page of each chapter.

Structure of the sustainability report and link to the UN goals





Our Sites Worldwide



1: Göppingen (headquarters), Germany



1: Ichenhausen, Germany



2: Boleslawiec, Poland



3: Horodok, Ukraine



4: Ga-Rankuwa, South Africa



5: Dalian, China



6: Chennai, India



7: Rayong, Thailand



8: León and Jalisco, Mexico



9: Ciudad Del Plata, Uruguay





Sustainable Management

Sustainable management integrates social and environmental concerns into business operations. BADER has embedded sustainable management into its strategy, goals, policies and code of conduct and has put in place structures and management systems to enable continuous assessment and improvement. The activities described in this chapter address the Global Compact Principle shown below.

■ Principle 10: Work against corruption

Sustainability Strategy

Policies and Compliance

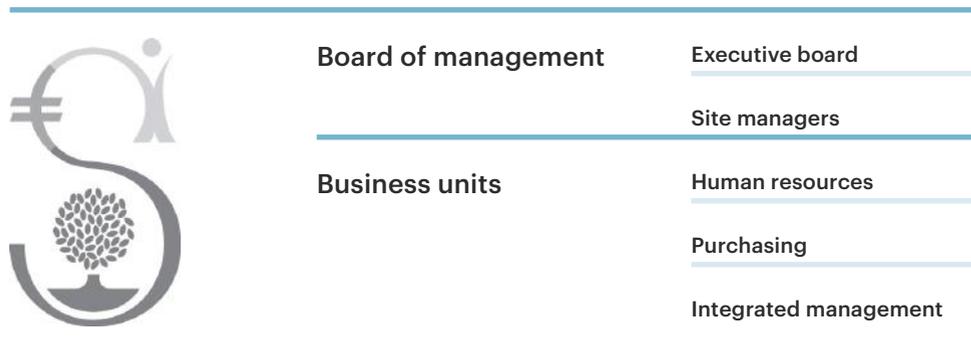
Certifications



Sustainability Strategy

Sustainable management serves to secure the long-term survival of our company and requires company commitment at all levels. In 2010, we formed our **Competence Center Sustainability (CCS)**, comprising a dedicated inter-departmental and cross-plant team. Since then, it has been responsible for initiating and implementing our sustainability strategies and goals under the leadership of the executive board.

Our CCS team



Our **business strategy** is based on a holistic assessment of economic, ecological, and social risks and opportunities. In this context, our strategy has four drivers:

We aim to preserve and expand our traditional company in the long term. We therefore plan and invest across all sites and divisions in a sustainable as well as an environmentally and socially responsible manner.

We are committed to maintaining human rights, fair working conditions, and a culture of diversity, mutual respect and equal opportunities. To promote lifelong learning, we invest in education and continuous professional development throughout an employee’s professional career. In order to ensure the best possible health and safety conditions at work, we are in the process of incorporating ISO 45001 into our integrated management system. The first certifications are planned for three sites in 2020.

We invest significant resources into researching and developing sustainable products, processes and technologies to meet customer-specific requirements. These are assessed on a holistic and life-cycle basis and further minimize resource consumption and emissions. We support this commitment with the environmental and sustainable certifications ISO 14001, ISO 50001, ECO₂L and LWG.

Cooperation with our customers and suppliers is another important component of our strategy. In addition to ensuring product integrity, we pursue important goals such as testing suitable methods for traceability back to the animal owner, LWG certification of our raw and semi-finished product suppliers and the definition of minimum animal welfare standards.

BADERS strategy drivers





Policies and Compliance

BADER is committed to legal compliance and fair business practice and works continuously on strategies to minimize risk. Our recently revised ► **BADER Group Policy (BADER 2019a)** lays out our fundamental values and principles of conduct which significantly exceed the minimum legal requirements. It reflects our commitment to human rights protection, fair labor practices, protecting the environment and anti-corruption practices. Furthermore, our ► **Code of Conduct (BADER 2017)** for all contract and business partners lays down basic principles of conduct for day-to-day practice and business policy.

These rules are to be understood as the framework within which we as a company operate in society. They can only be implemented through the commitment of all employees and business partners. We have made our Group Policy available to all BADER employees through the internet and our intranet and information boards. In addition, awareness is strengthened in regular training sessions. BADER's Code of Conduct has also been published on the internet. The documents are available in the specific language of our employees and business partners.

Implementation and monitoring of **compliance** are embedded in our integrated management system. Compliance itself is ensured through management reviews, regular employee training and supplier meetings and audits. We regularly review and revise requirements and clearly define responsibilities in specifications and instructions.

Management at each plant monitors compliance with the relevant national and local laws and regulations with respect to all company operations and on all operational levels. For example, we ensure the enforcement of the EU General Data Protection Regulation concerning the collection, handling and processing of personal data, and train all BADER employees who are involved in digital data exchange annually. There were and are no legal proceedings pending against BADER. No penalties have been imposed, nor are any threatened or expected.

We pursue a zero-tolerance policy and do not tolerate violations of the law or our values and principles of conduct by employees. Employees who identify violations, as well as risks and weaknesses that could lead to violations, report these to the complaints office, their supervisors or employee representatives. We investigate the concerns raised, take appropriate action and provide feedback.



Certifications

At least once a year, BADER uses a range of management reports and internal audits to review aspects of sustainable management to produce measures and goals for continuous improvement. On the operational level, we support our company's sustainable development through consistent implementation of our integrated management system. It is based on a range of international standards, which we use to ► **certify our sites (BADER 2019b)** and have them regularly reviewed through external audits.

All BADER sites have a quality management certification, according to ISO 9001 and/or IATF 16949 specifically for the automotive industry. Three sites with testing and calibration laboratories are certified according to ISO 17025. All leather-manufacturing sites have the ISO 14001 certification for environmental management. Two sites have an energy management system certified to ISO 50001. We are currently introducing the ISO 45001 standard for occupational health and safety management and are rolling out this certification to our sites worldwide.

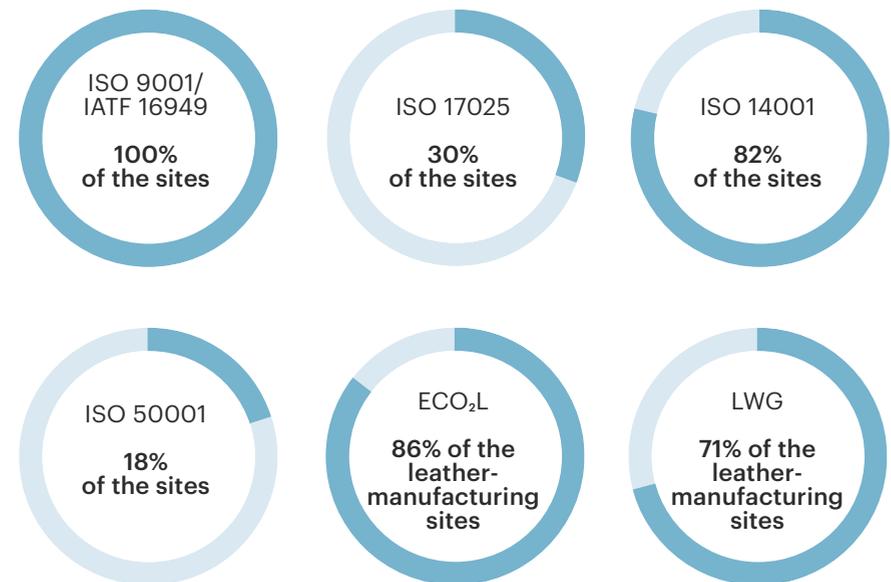
By the end of 2019, six of our seven leather-manufacturing sites had obtained the ► **Energy Controlled Leather (ECO₂L) Certification (VDL 2013)**. This first international benchmark for tanneries on energy and carbon dioxide (CO₂) builds on the experience and energy analyses of approximately 20 leading tanneries worldwide. At the same time, five of our seven leather-manufacturing sites were audited according to the globally valid ► **Leather Working Group (LWG) audit protocol (LWG 2019)** which sets requirements for the assessment of the environmental performance of tanneries (► **Chapter Planet**).

Since 2015, BADER has regularly completed sustainability questionnaires from the established providers Ecovadis and NQC for our customers. With Ecovadis, we achieved a silver rating on Corporate Social Responsibility (CSR) in 2019 and are among the top 18% of the evaluated suppliers. With NQC, our reportable sites

achieved between 84% and 94%, with an average of 90% of the total score. As part of their regular supplier management, our customers have commissioned additional audits at some of our sites, relating to sustainability issues such as human rights and environmental considerations.

New certifications achieved in 2019

- ISO 14001 at BADER Ukraine
- ISO 17025 at BADER Göppingen, Germany
- ECO₂L at BADER Uruguay





Product – Economic Development

Companies can effectively support the 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. The activities described in this chapter address the Global Compact Principle and SDGs shown below.

- Principle 9: Develop and diffuse environmentally friendly technologies



In Focus: KOLLAMAT

Sustainable Business

Research and Development

Product – In Focus: KOLLAMAT



In Focus

BADER continuously implements actions to promote a circular economy. We develop new products from existing resources and residual materials and thereby avoid generating waste. This is the case with KOLLAMAT, a high-quality compound from leather fibers (shavings, finished leather), polymers and additives. It allows us to create products with a unique appearance and a variety of individually adaptable properties for a wide range of applications.

KOLLAMAT combines the haptic and moisture-regulating properties of leather with a broad spectrum of strengths and densities. We can substitute 30-65% of the plastics in our compound and can even eliminate plastics completely by using polymers from biological sources. The reduction in the amount of plastic leads to significantly lower energy consumption in production. Our compound can be processed at relatively low temperatures due to the natural fiber leather.

KOLLAMAT is already used in a wide range of applications. In injection molding, it is an ideal material for haptic handle applications in single or multi-component processes. The tool handles have a unique surface structure and appearance, a warm and pleasant touch and a moisture-regulating surface. These properties make do-it-yourself tasks easier and support commercial activities in the building trade, where KOLLAMAT is used in renovation and new construction projects for a wide variety of spatulas and trowels. In the future, these benefits can also be applied to the handles of screwdrivers, garden shears, walking sticks, trekking poles and pens.

We want to create a satisfying interaction between the end-user and the manufactured tool. We are constantly endeavoring to reduce the use of oil-based plastics. The pursuit of our vision of producing compounds based on natural and biological materials is therefore an integral part of our everyday work.

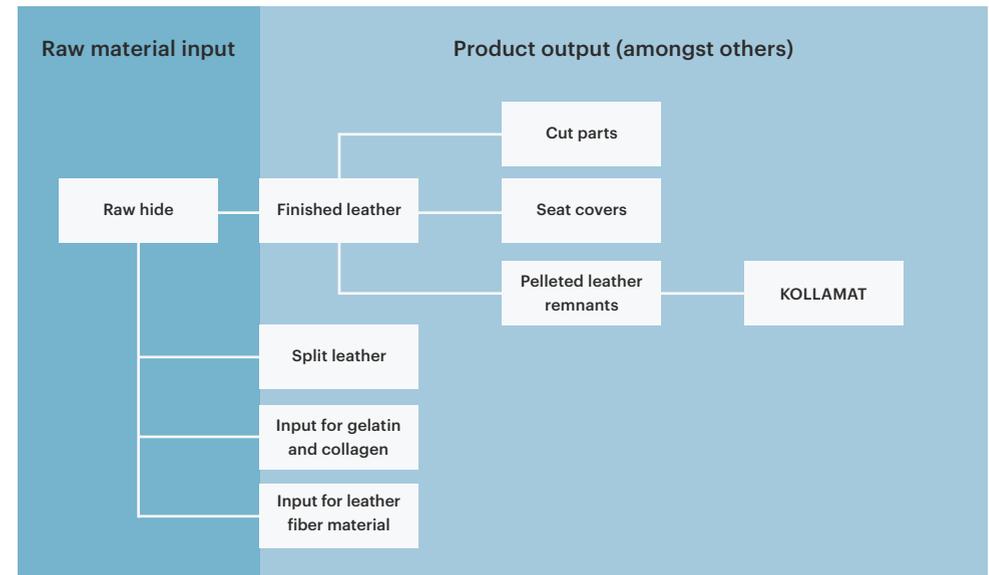
Sustainable Business

Leather is one of the oldest and most versatile materials known to mankind. As ► **by-products of milk and meat production (UNIDO 2017)**, raw hides are renewable natural materials that can substitute products made from non-renewable raw materials such as petroleum-based plastic sheets and textiles.

At BADER, we have been working with this sophisticated material for over 145 years. Today we manufacture leather specifically for the automotive industry with an estimated global **market share of 20-25%**. BADER supplies all major automotive markets from decentralized production sites in nine countries and through an international supplier and logistics network. We create automotive solutions for every area of application and every type of vehicle – from surface leather and customized cutting to the finished upholstery. In 2019, we produced worldwide 80,000 m² of leather every day and 50,000 m² of leather cuttings (no change compared to the previous year) as well as seat covers for 3,000 vehicles (+5% compared to 2018).

For us, a passion for leather also means handling this material responsibly. For almost 100 years, we have been looking for new possibilities for the most comprehensive and high-quality material use of existing products and residual materials possible. We are now refining numerous by-products such as split leather, KOLLAMAT, gelatin, collagen, leather fiber, fertilizer or ► **dog chews (Diedrich Pet 2020)**.

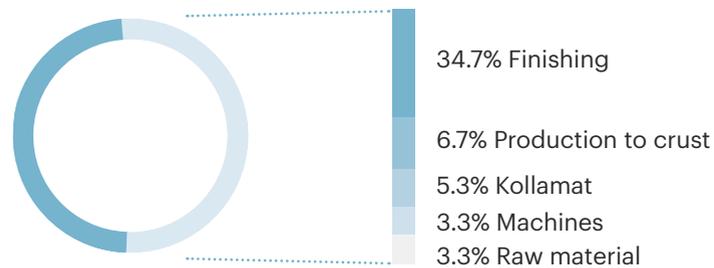
Optimizing material cycles



Research and Development

BADER invests heavily in **research and development (R&D) of sustainable products, processes and technologies**. In 2019, 53% of our R&D projects were driven by ecological and/or social aspects in addition to technical and economic aspects (2018: 45%). We work closely with our customers, suppliers and other stakeholders to consider their needs in addition to our sustainability considerations. That enables us to develop holistic solutions over the entire life cycle of our leather products. After successful testing, we are gradually implementing them at our sites worldwide.

Sustainable R&D projects



46.7% ■ technical-economic R&D projects
 53.3% ■ sustainable R&D projects

Ideas from our employees also help us to innovate and become better at what we do. Through our globally established **company suggestion scheme**, employees contribute a wide range of suggestions that go beyond financial, technical and qualitative improvements. In 2019, sustainable suggestions included measures for the reduction of waste or the saving of paper in our office departments.

Sustainable R&D projects in 2019

Finishing

- Project on the use of a transfer coating
- Trials on finishings based on renewable raw materials
- Trials on the reutilization of colorless finishing mixtures

Production to crust

- Tests for the extraction of tanning agents from shavings
- Tests for the reduced usage of tanning agents and water
- Trials on alternative tanning procedures that are suitable for industrial use and do not endanger the health and the environment – e.g. a new chromium-free tanning process

KOLLAMAT

- Development of handle applications, floor coverings or surfaces made of a high-quality compound from leather fibers (shavings, finished leather), polymers and additives

Machines and process development

- Project to reduce dye usage and time required for dye adjustments
- Project to reduce energy consumption and surface shrinkage through improved drying technologies

Raw material

- Projects on the processing of split leather
- Projects on the preparation of split by-products for upgrading in a wide variety of areas
- Projects on full traceability of raw material
- Projects for the assurance of animal protection and animal welfare



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. The activities described in this chapter address the Global Compact Principles and SDGs shown below.

- Principle 7: Support a precautionary approach to environmental challenges
- Principle 8: Undertake initiatives to promote greater environmental responsibility
- Principle 9: Develop and diffuse environmentally friendly technologies

6 CLEAN WATER AND SANITATION



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



13 CLIMATE ACTION



In Focus: Drying Technologies in Ichenhausen

Resources

Chemicals

Water and Wastewater

Energy

Emissions

Planet – In Focus: Drying Technologies in Ichenhausen



Due to BADER's long history, some of our sites used heat technologies that went back to the 1960s. Significant investment and many specific projects were required to bring these manufacturing plants up to a modern, efficient and sustainable level.

At our tannery site in Ichenhausen, for example, we have carried out a number of energy-related renovation projects with a total investment of around €1.25 million. Over the past few years, we have implemented various measures:

- 2017/2018 – switch to natural gas as primary energy source
- 2018 – replacement of circulating air hang drying with gas-heated clamp conditioner
- 2018 – spray system circulating air dryer converted to a gas-indirect Infrared Radiation (IR) dryer
- 2019 – circulating air dryer placed after the application machine replaced with a new Radio Frequency (RF) dryer

Gas is burned catalytically with the IR dryer. This generates the infrared radiation which dries the leather surface. With the RF dryer, energy is introduced directly into the coating (excitation of the water molecules) without significantly heating the leather underneath.

Dead times are eliminated in both dryers because the machines do not need to pre-heat and switch off automatically when there is no leather. Energy conversion losses are reduced due to the direct transformation of the primary energy source. This leads to increased energy efficiency and an immediate reduction in energy consumption of approx. 20-30% for the RF dryer and approx. 30-40% for the IR dryer.

We will continue to put actions in place that focus on optimizing energy consumption, while at the same time minimizing environmental impact. For example, we plan to replace the last dryer in the finishing area in 2020.

In Focus

Resources

BADER is continuously optimizing its product development and production processes to ensure environmentally progressive use of resources and the reduction of subsequent emissions into water, soil and air. Innovative technologies are used to reduce, reuse, recycle and treat waste and dispose of residual materials with minimum environmental impact.

At our tannery site in Ichenhausen, we use 7-8 kg of raw material per m² leather (finished and split leather) to produce a range of products and by-products. More than 80% of the material input (dry substance of the raw hide) is converted into finished leather, energy and other products. We use hide sections/lime trimmings, necks and flanks for collagen or gelatin for the food industry. Shavings can be processed into leather fiber, KOLLAMAT, collagen and fertilizer. The sewage sludge represents a mass percentage of 15-18%. Chromium-free sewage sludge can be materially recycled in agriculture, and sewage sludge containing Chromium is typically used as a building material in landfill site renovation in Germany. The non-usable waste from the dry substance of the hide material amounts to less than 2%.

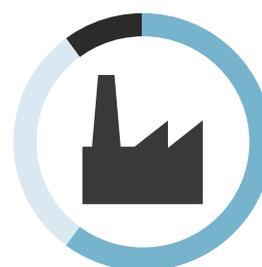


Material input at the tannery site in Ichenhausen (dry substance of the raw hide)

- 80% ■ from the skin (fully recovered)
- 18% ■ sewage sludge (fully materially recovered)
- 2% ■ waste (properly disposed of)

As far as the total amount of waste at the Ichenhausen site is concerned, these material recovery paths account for 60-70% of the total recovery and disposal balance. Thermal recycling constitutes a further 30-40%, particularly from lime fleshings for

biogas and technical gelatin. A maximum of 10% of solid materials such as coatings and paint sludge, materials contaminated with oil or used chemicals, cannot be recycled. These are disposed of in accordance with technical requirements at all our plants. Despite a long-term recovery rate of more than 98% in most cases, we continue to search for ways of improving resource efficiency and to secure existing recovery paths.



Recovery and disposal balance at the tannery site in Ichenhausen

- 60-70% ■ material use
- 30-40% ■ thermal use
- max. 10% ■ disposal

Activities in 2019

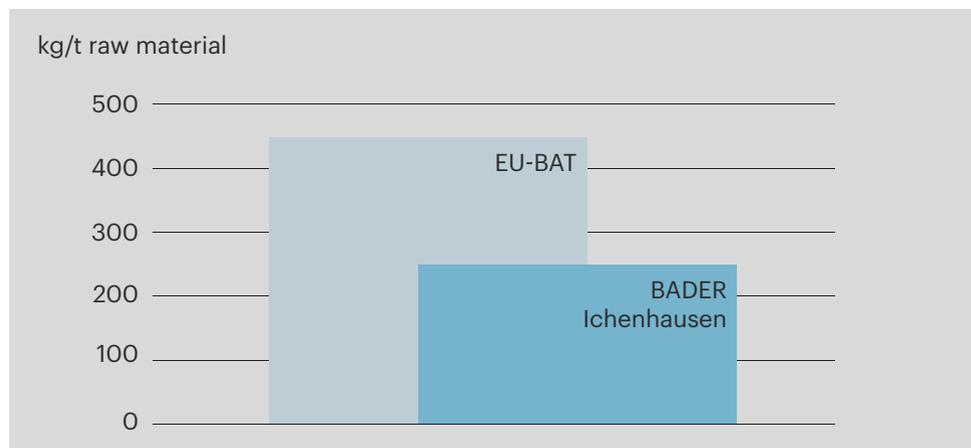
- Investigations regarding the further use of leather shavings in cement bricks in South Africa
- Start of production of ecological bricks in Uruguay, using BADER waste such as filter press sludge and ashes from the boiler (30,000 kg removed from landfill per year)
- Foam and synthetic scrap generated in the cutting and lamination processes 100% reused in mattress production in Uruguay (61,000 kg removed from landfill per year)
- Investigations regarding the further use of leather residues in shoes for the local market in India
- Research on recyclability at the end of the useful life of leather, e.g. in seat covers

Chemicals

Chemical management, handling and safety are key areas in our product and process development. We meet legal requirements such as REACH (EU) and customer requirements such as the Global Automotive Declarable Substance List (GADSL). We make further demands on our suppliers through our BADER Black List and security agreements. (▶ **Chapter Partnering**)

Our integrated management system defines worldwide procedures and work instructions for the labeling, storage, handling and transport of chemicals and specific hazardous materials. We check and document compliance with the relevant regulations worldwide through regularly updated legal registers. To minimize risks to health and the environment and to be able to make immediate amendments, we continuously monitor our chemicals.

Chemical use at the tannery site in Ichenhausen 2010-2019



We have been able to significantly optimize the use and safety of chemicals over the past 30 years through various ▶ **process conversions (BADER 2015a)**. At our tannery site in Ichenhausen, for example, we are recovering all trivalent Chromium tanning agents contained in the tanning wastewater via a recycling plant. This means we can reduce tanning agent procurement by 25-30%. At this site, we have a chemical input of 200 to 300 kg per ton of raw material and are well below the ▶ **EU standard for the best available techniques (BAT) (EU 2013)** of 425 kg per ton of raw material.

We work worldwide with identical finishing formulations and systems for each article. We have been using only aqueous coating techniques for finishing leather since 1987. They are currently based on 70-85% roller application techniques (synchro and reverse process). We have thus been able to reduce the use of the previous chemical-intensive spraying technology (overspray) to 30-45%. To achieve this, we use the latest High Volume, Low Pressure (HVLP) spraying technology and volume control, as well as extremely low atomizing compressed air and a two-component dosing technology.

Activities in 2019

- Constant dialog with our chemical suppliers to promote the development of less sensitive substances
- Implementation of a global SAP-based, four-stage approval process for new and test chemicals with regard to food suitability, customer requirements, occupational safety and effects on wastewater treatment
- Replacement in Germany of hydrazine, the toxic corrosion protection agent for heating systems, with a non-toxic agent

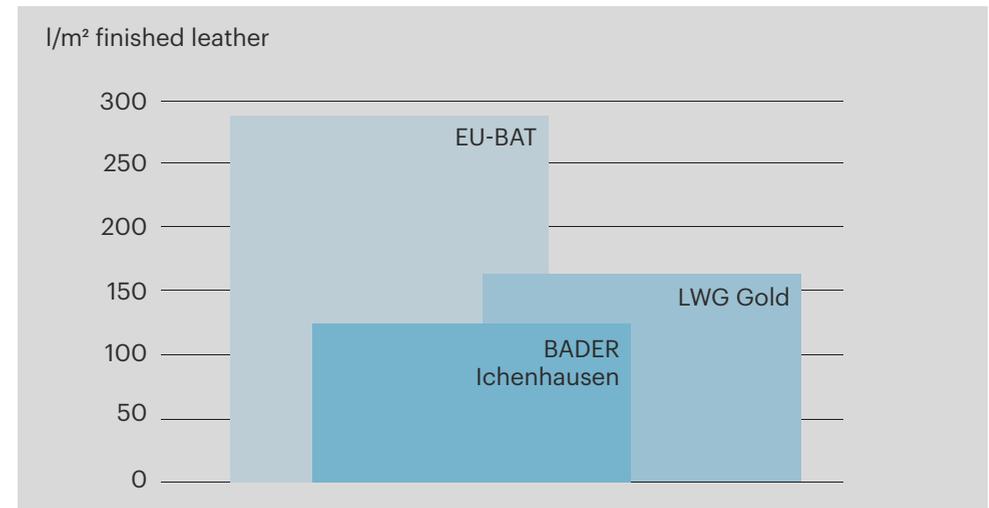
Water and Wastewater

Water is one of the most important auxiliary materials in tanning. It serves as a transport medium and solvent for chemicals entering the hide and for decomposition products leaving the hide. Economic use of water and careful purification of the resulting wastewater are therefore two of our most important and, at the same time, quite complex environmental tasks.

We constantly monitor our water usage and take measures to detect and eliminate any groundwater contamination. Wastewater is treated in our own **wastewater treatment plant (BADER 2011)** at our tannery site in Ichenhausen so that we can discharge it back into a biologically intact body of water. Our site in Uruguay has a final wastewater purification process. Our sites in China, Mexico, Poland, South Africa and Thailand pre-treat the wastewater before municipal purification. We aim to use easily biodegradable chemicals and maximize their degradation. Our chromium salt recycling process not only reduces the consumption of chemicals but also significantly reduces the amount of trivalent chromium ions in wastewater.

We use technology that, by global standards, reduces water consumption significantly. We also ensure that the most up-to-date technologies, such as water-saving retanning technologies, are regularly transferred to all BADER plants. Through these measures, we have been able to significantly reduce our water consumption worldwide. At our leather-manufacturing sites, the aggregated water consumption between 2016 and 2019 was less than 135 l per m² finished leather. We are thus below the strictest **LWG Gold requirements (LWG 2019)** of 165 l per m² and well below the **EU-BAT standard (EU 2013)** of 285 l per m².

Water use of our leather-manufacturing sites 2016-2019



Activities in 2019

- Expansion of water consumption monitoring through the installation of new flow meters, performing consumption tests and additional data collection. Reduction of the unmonitored water volume to less than 10% at our site in Ichenhausen
- Optimization of wastewater treatment in Mexico with the merge of two separate systems to a combined water treatment plant
- Improvement of water monitoring and leak detection capability through installation of additional water meters in Mexico

Energy

Energy consumption is an important factor in leather manufacturing, especially due to the drying processes. We are currently in the process of completing a switch to generating heating energy directly at the point of use to avoid heat transfer and transport losses. We also carry out detailed analyzes of energy consumption and consistently derive short-term and medium-term measures to reduce energy use further. We conduct regular internal and external (partly certified) energy efficiency audits at our sites worldwide as well as ISO 50001 certification for energy management at our German sites.



BADER Poland – BAD102
 BADER China – BAD103
 BADER Mexico – BAD104
 BADER South Africa – BAD105



BADER Ichenhausen – BAD101



BADER Mexico – 024
 BADER Poland – 027
 BADER China – 033
 BADER Ichenhausen – 036
 BADER South Africa – 037
 BADER Uruguay – 052

The **▶ ECO₂L (VDL 2013)** and **▶ LWG audit systems (LWG 2019)** and their benchmarks play an important role here in improving our environmental performance, including energy efficiency (**▶ Chapter Sustainable Management**). Five of our seven leather-manufacturing sites are LWG audited and certified, four of them to LWG Gold level. Six sites are ECO₂L certified. The energy consumption at these sites was well below the **▶ Best Energy Efficiency for Tanning (BEET) energy benchmark (Umweltbundesamt 2003, VDL 2013)**. This reflects our successful holistic optimization of energy use.

We will continue to invest heavily in technological developments and other expedient measures at our sites, for example, in Ichenhausen. Our aim is to achieve LWG Gold level at this site, as energy performance is still at Silver level, and to maintain it at our other sites despite ever stricter requirements.

Activities in 2019

- LWG Gold level for our site in Mexico
- Replacement of fluorescent lamps with Light Emitting Diode (LED) lamps and energy saving of 56% in Ukraine and of 7% in Mexico with the added benefit of an increased illuminance in the plant areas, from 70 to 500 lux
- Installation of a new variable speed screw compressor in the finishing area and replacement of the old non-variable speed screw compressor resulting in energy savings of about 30% at our site in Mexico
- Installation of a coil heat exchanger in the boiler tank to increase thermal capacity and avoid using another gas heater in Mexico
- Continued conversion of our drying plants and the boiler plant to direct gas firing at our tannery site in Ichenhausen
- Installation of BADER SCADA (Supervisory Control and Data Acquisition) system on specific machines in Germany and Poland resulting in increased productivity potentials. Roll-out of this Industry 4.0 sub-project across our largest sites in China and Mexico in 2020
- Energy conservation project in Thailand with the installation of six energy-saving inverters on the spraying machine in the finishing building

Emissions

Examples of ► **primary emissions (e.g. theSauerReport 2018)** into the atmosphere from a conventional tannery are odor, ammonia (NH₃), volatile organic compounds (VOCs) and greenhouse gases (CO₂ equivalents). BADER has been consistently implementing chemical and environmental management systems to prevent or minimize the output of these emissions. For decades, we have supported this objective at all our sites throughout the world by investing in technological developments and other measures.

The ► **ECO₂L (VDL 2013)** and ► **LWG (LWG 2019)** protocols are important, science-based instruments for improving industry standards worldwide. ECO₂L focuses on our greenhouse gas emissions, while LWG also monitors emissions e.g. from beamhouse, boilers and spraying machines. BADER is actively involved in further developing the ECO₂L tool to provide a complete overview of energy use and CO₂ emissions throughout the entire leather manufacturing process (from raw hide to finished leather). We capture and record the data from all our plants in detail. Reliable data are currently available specifically for production and procurement shipments as well as for wastewater, exhaust air and waste management. A further itemization, such as for chemical manufacturing, is in progress.

Greenhouse gases (CO₂e) result primarily from the energy required for drying and the machines in manufacturing as well as the procurement transportations of the input materials. In recent years, we have achieved a reduction in carbon dioxide (CO₂) emissions by reducing drying processes and temperatures, using state-of-the-art drying techniques and many other measures.

The ► **corporate carbon footprint (BADER 2015b)** of all processes at the BADER Group amounts to 2-3 kg CO₂e/m² finished leather. This includes all direct emissions from our plants and vehicles as well as indirect emissions connected with the consumption of purchased energy and thus covers all ► **scope 1 and scope 2 emissions (GHG Protocol 2004)**.

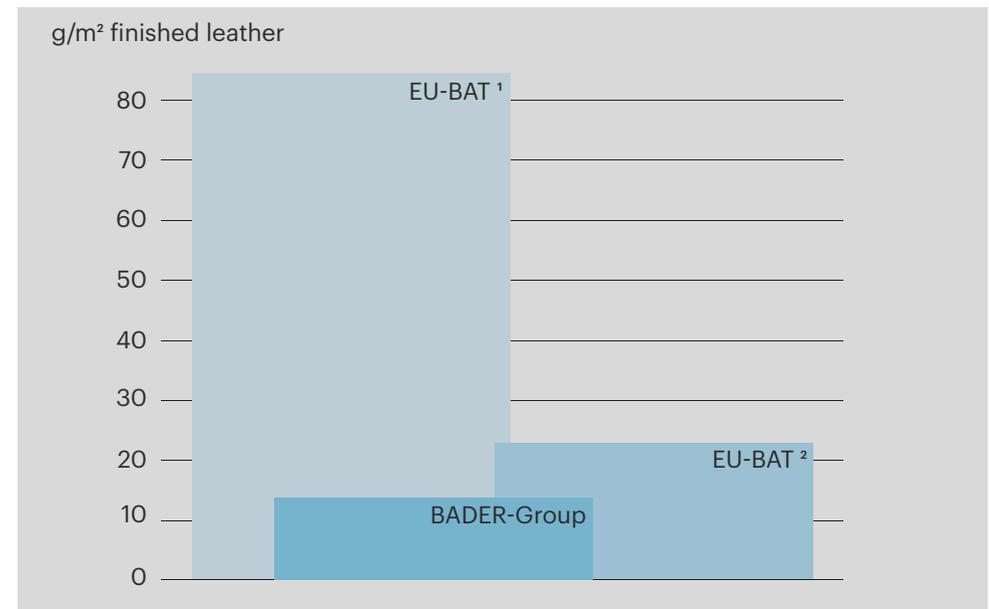
CO₂-emissions **2-3**
kg CO₂e/m²
finished leather of the
BADER-group

VOCs are typically emitted from solvents used in the finishing process. Our measures described in the section on chemicals to eliminate the use of solvents, have significantly reduced VOC emissions over the past 30 years. Between 2016 and 2019, the annual mean values of VOC emissions at our five major leather-manufacturing sites were between 8 and 21 g of solvent per m² of finished leather, mostly well below the limits specified in the ► **Industrial Emissions Directive (IED) 2010/75/EU (EU 2010, 2013)**. We are working on a further reduction.

Activities in 2019

- Research on VOC-free leather in China
- Installation of solar cells for own energy generation at our site in South Africa to increase the proportion of renewable energies and reduce CO₂ emissions
- Investigations into energy measurement in the cutting and sewing facilities for the development of an energy and CO₂ balance - based on a student research project with the Offenburg University of Applied Sciences
- Development of a comprehensive CO₂ reporting with particular focus on indirect emissions that occur in the value chain (scope 3), including both upstream and downstream emissions. Main challenges: Missing data for the CO₂ footprint of all required input chemicals and the procurement of data from all upstream suppliers (pre-production for the manufacture of wet blue)

VOC emissions of our 5 major leather manufacturing sites 2016-2019



¹ non-IED installation with >10-25 t solvent per year

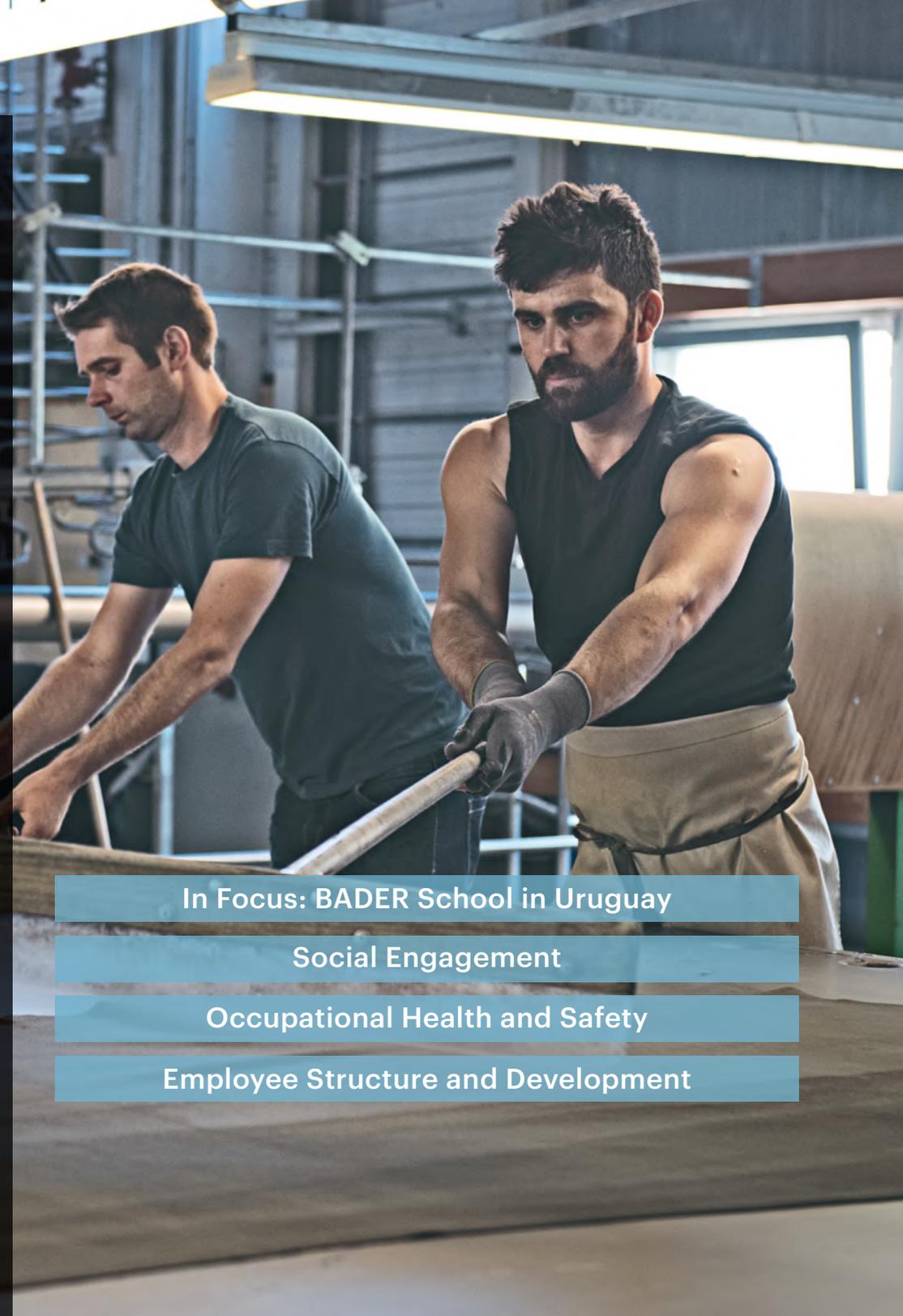
² IED installation with >10 t solvent per year



People – Social Responsibility

Combating poverty, ensuring health, fair opportunities and living conditions and reducing disparities are the major challenges facing sustainable development today. Therefore, we firmly support the Universal Declaration of Human Rights by the UN – a universal system of values and principles of human coexistence. 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. The activities described in this chapter address the Global Compact Principles and SDGs shown below.

- 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 labor
- Principle 5: Abolition of child labor
- Principle 6: Elimination of discrimination in respect of employment and occupation



In Focus: BADER School in Uruguay

Social Engagement

Occupational Health and Safety

Employee Structure and Development

People – In Focus: BADER School in Uruguay



In 2016, BADER Uruguay decided to open the BADER special needs school “Centro de Apoyo Pedagógico” in Ciudad del Plata, San José as there are many children with learning difficulties in the area. They often lack appropriate family support and searching for a job later is therefore more difficult.

To improve their educational and future prospects, children between the ages of 6 and 12 living in the surrounding area have the opportunity to attend the school where they receive individual support in small learning groups. In addition to regular lessons, the focus is on cultural and social aspects such as the school garden and art lessons using leather as base material. Other projects are tree planting on World Environment Day or painting murals at the BADER factory building (see photo).

In September 2019, the BADER school received the Award for Citizen Excellence from the Latin American Development Center (CELADE) for its particular contribution to the economic, social or cultural development of the country. The award is aimed at all those who have made this project possible: The management of the company, the staff, the parents and above all, the teachers and children who come to school every week.

In the future, BADER Uruguay plans to incorporate technology into the classroom, providing teachers with more teaching tools. One of the objectives for 2020 is to introduce English lessons. There are also plans to involve parents in different activities in order to share their learning experiences with their children. This project will thus continue to help improve opportunities for young people.

Social Engagement

All BADER's sites across the globe support the fight against poverty and provide local populations with access to essential resources and services. To this end, we dedicate a substantial part of our turnover to social commitment. In 2006 – after the socially committed Hans Bader died – the Bader family established the charitable “Hans Bader Foundation”. Our global commitment covers five main topics, which are shown below.

Our social engagement

Education and employment
Health, safety and palliative initiatives
Sports
Youth and elderly care
Art, culture and history

BADER promotes global **education and employment initiatives** to improve employment prospects. In Germany, we support the promotion of employment and educational opportunities for the difficult-to-place and long-term unemployed, as well as persons threatened by exclusion from the labor market. In South Africa, we have been offering a one-year training qualification in leather for unemployed school leavers from the local community since 2007. In 2019, this program had 60 participants. In Ukraine and Uruguay, we and other companies cooperate with the local chambers of industry and commerce to promote projects in the dual vocational training scheme.

We are also committed to **health, safety and palliative initiatives**. In Germany and Mexico, we support, for example, hospitals, nursing facilities and hospices. In Poland, we run blood donation campaigns and collect goods for the needy. In South Africa, we offer medical care in our on-site clinic and donate to charitable organizations that support HIV/AIDS orphans.

In the area of **sport**, we rely on building partnerships with different sports clubs and associations. In Germany, we have sponsored the Bundesliga handball team, FRISCH AUF! Göppingen, since the beginning of the 2019/2020 season. BADER employees benefit from this partnership through tickets for games and team-building activities for our trainees. In South Africa, we sponsor BADER's Sports Club and local sporting events, and in Poland we support a team of runners who participate in popular running competitions. In Uruguay and Ukraine, we collaborate with local football teams and we also organized a 5 km charity run in Uruguay, which almost 400 people took part in, including employees and members of the local community.

We are also involved in the **care of young and older people** with numerous activities in children's and senior citizens' institutions. In Germany, we promote learning initiatives in kindergartens while in South Africa and Mexico, we sponsor school equipment for children with limited resources. In Poland, we support a children's home in Bolesławiec, welcome plant visits from preschoolers and students, and organize an annual environmental competition with employees' children. In Uruguay, we maintain our educational support program for children with learning difficulties in our BADER school.

In addition to the social engagement to support people in need, BADER also promotes **art, culture and history** with a range of regional projects. In Uruguay, a leather craft workshop was organized for the local community with an exhibition in the gallery of the municipality in 2019. In Thailand, we support the community by joining the Buddhist Kathin ceremony celebrations in the nearby temples and distributing new year gifts.

Occupational Health and Safety

BADER respects and protects human dignity and observes human and labor rights, as described in more detail in our ► **BADER Group Policy (BADER 2019a)**. BADER's company and personnel management work proactively with employee representatives at individual sites. Company agreements typically cover a variety of issues such as the protection of health and occupational safety, employee development, equal treatment, wage and salary increases and other working conditions.

We actively integrate aspects of health protection and occupational safety into our integrated management system and check compliance worldwide through regular audits (► **Chapter Sustainable Management**). In line with local regulations, we have a joint labor management/health and safety committee and occupational safety experts at our sites who receive regular training.

Life-long **preservation of health and well-being** requires both BADER and every employee to take preventive measures. With the aim of raising awareness, we regularly conduct training on occupational safety risks and best working practices for all employees, including new and semi-skilled employees, trainees, temporary workers and subcontractors. We provide the relevant protective equipment as well as work, process and operating instructions, safety data sheets and risk assessments in the local language. Our workflows, processes and safety equipment are regularly assessed to anticipate health and safety risks on all our sites.

We have specific procedures for handling chemicals or hazardous substances (► **Chapter Planet**). We have also implemented measures to prevent the formation of H₂S, including measuring devices in risk areas, mobile measuring devices and a UNIDO H₂S online training course for employees who are regularly in tanneries and wastewater treatment plants.

There are emergency plans at all sites as well as mandatory reporting procedures in the event of serious occupational accidents. External visitors, such as suppliers, are informed about our safety rules and conduct requirements before they enter our premises.

We provide a range of **health services** on individual sites as well as preventive measures such as mandatory regular health checks or measures to reduce stress and noise. We are also introducing the ISO 45001 certification for occupational health and safety management across all our sites to improve employee safety further, reduce workplace risks and create better, safer working conditions.

Activities in 2019

- Medical care in our on-site clinic in South Africa with the aim of reducing the spread of HIV and tuberculosis and enhancing the health and well-being of our employees. In 2019, expansion of the clinic's facilities to allow occupational health assessments to be carried out
- Annual health checkups by the local hospital in Thailand
- Day of vaccination for our employees in Uruguay
- Annual health day with preventive checks and various health and safety campaigns in Germany
- Extended supply of workwear for industrial employees in Germany
- Introduction of the 'job bike' scheme in Germany, for either commuting or personal use, actively promoting the health of our employees
- Organization of informative talks on topics such as safety, fire prevention and the use of fire extinguishing equipment in Uruguay
- Driver safety training sessions in Germany and Poland

Employee Structure and Development

BADER creates fair working conditions and promotes **training, career development, diversity and equal opportunities**. We unconditionally reject discrimination and harassment, whether for cultural, ethnic, religious or other reasons and this is embedded in our ► **BADER Group Policy (BADER 2019a)**. The diversity of our employees is our fundamental strength.

About 11,500 employees with different backgrounds and experiences work at our 11 sites worldwide:

- The average age worldwide is 37 years (2018: 36 years)
- The proportion of female employees worldwide is 56% (2018: 55%)
- The proportion of foreign employees worldwide is 2% (2018: 2%). This fluctuates due to different regional labor market conditions between 0% in China and Mexico and 33% (2018: 32%) in Germany where we also employ recognized refugees
- The proportion of severely disabled employees in our workforce worldwide is 2%
- At the end of 2019, 5.5% of the workforce was trainees, specifically 28 trainees in various dual vocational training programs and practice-oriented higher education study programs

The process for hiring and promoting at BADER is based on clear criteria and recruitment conditions. We give priority to internal recruitment and the company covers the recruitment costs. For employees with disabilities, we pay particular attention to providing appropriate working environments with the necessary infrastructure.

2019 employees
11,500
2018
12,000 worldwide

Female share
2019 **56%**
worldwide

Training rate
2019 **5.5%**
2018 5.2%
in Germany

Average age
2019 **37 years**
worldwide

In order to **secure skilled workers**, we offer a broad company training and further education portfolio in cooperation with chambers of industry and commerce, research institutes and universities and are constantly expanding it to meet demand. 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.

BADER offers a variety of internal and external training opportunities to improve **employment opportunities** for our employees. The internal training programs include on-the-job training and various training programs for new employees and current employees for regular refresher courses. The sustainability training courses cover the economic, social and environmental dimensions of our operations and our supply chain, e.g. energy and water conservation. We also promote extra-occupational vocational education such as foreign-language and intercultural training as well as technical training courses.

Our targeted talent management program ensures individual training requirements are defined at least once a year. These are determined through voluntary employee appraisals or are jointly selected with supervisors. They are regularly monitored and implemented through binding training and development plans.

Activities in 2019

- Participation in a program for the retraining and reallocation of staff in cooperation with the Federal Employment Agency in Germany
- Promotion of beekeeping training for employees who care for the bee colonies on the roof of the BADER headquarters
- Dalian Best Employers Award for BADER China by Mercer Consulting and Dalian Human Resources and Social Security Bureau following an evaluation of company culture, value delivery, talent management, employee training and salary and benefit strategies



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 integrity, traceability, animal welfare, as well as environmental aspects are becoming increasingly important in our daily decisions. The activities described in this chapter address the Global Compact Principle and SDG shown below.

- Principle 8: Undertake initiatives to promote greater environmental responsibility



In Focus: One 4 Leather Initiative

Supply Chain Management

Animal Welfare and Product Control

In Focus: One 4 Leather Initiative



As the impact of social media as an information source and the flood of information it brings continue to grow, it is becoming more and more difficult for consumers to obtain objective facts. In recent years, many different groups have increasingly attempted to create a false image of the leather industry in the media. To prevent a further spread of misinformation, BADER decided to launch the ► **One 4 Leather initiative (One 4 Leather 2020)** together with other suppliers and manufacturers of the automotive leather supply chain.

The One 4 Leather initiative has set itself the task of dispelling myths and rumors and countering incorrect information around the sourcing, production and use of leather in automotive interiors. The initiative aims to publish purely fact-based reports and information rather than being a marketing portal for leather. Key concerns about automotive leather are addressed and include the following core statements:

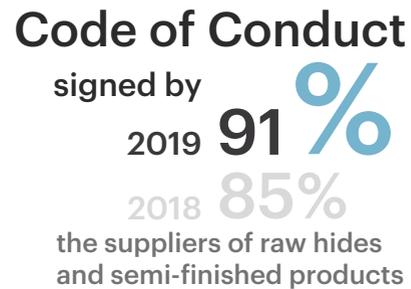
- Automotive tanneries adhere to the most stringent requirements in the industry
- Animal welfare is a core value for the automotive leather industry
- Automotive leather is a sustainable choice
- Leather contributes to a circular economy in which nothing goes to waste
- A by-product of the food industry is upcycled into car leather
- Alternatives to leather are not always what they seem
- Processing from hide to leather is important
- Automotive leather lasts a lifetime

Leather has for generations been the preferred choice for car interiors. And we believe that transparency is key to making a well-informed decision on what to buy and use. We will therefore continue to actively address these issues and offer the consumer appropriate answers. The goal is to provide the full story of automotive leather and its real and positive impact on people, animals and our planet.

Supply Chain Management

We are convinced that we are better able to develop solutions to global challenges by cooperating with various **interest groups**. Through a close and continuous dialog, we can identify challenges and develop forward-looking solutions and standards for a more sustainable leather industry. These include our internal and external interest groups such as suppliers, customers, employees, educational institutions and associations as well as authorities, associations, federations and certification bodies.

Our commitment to accountable supply chains and our requirements for sustainable procurement of raw materials is embedded in our ► **BADER Group Policy (BADER 2019a)**. We communicate our supply chain strategy and basic principles of conduct to our business partners via our ► **Code of Conduct (BADER 2017)**, ► **Terms and Conditions of Purchase (BADER 2012)**, contracts and security agreements. 91% of our suppliers of raw hides and semi-finished products have signed the Code of Conduct since 2017. In future, we will include other supplier groups as signatories, refer to the Code of Conduct in our purchasing conditions and urge our suppliers to ensure that their subcontractors adhere to the same principles of conduct.



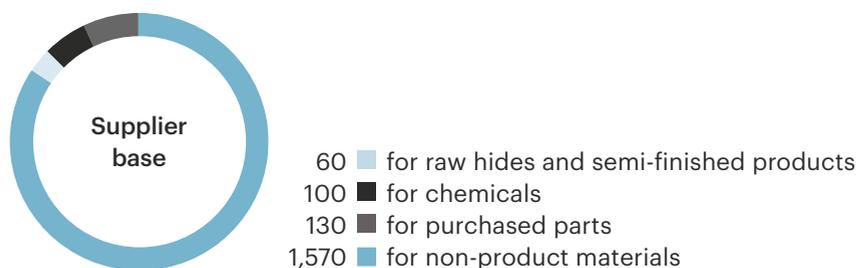
We are also committed to raising sustainability and management system standards in our supply chain, with particular regard to quality and environmental management systems. Thus, we encourage our contract tanneries and semi-finished product suppliers to have their production sites audited and certified by the LWG. Between 2012 and 2019, more than 74% of our suppliers already implemented this.

Our purchasing and supplier management teams oversee and maintain the complex supply relationships that have resulted from the global growth of the BADER group and increasing globalization. They receive regular internal training on sustainable procurement to initiate targeted improvements, make logistics and production more efficient and the entire planning process safer and more stable.



We conduct regular supplier risk assessments and evaluations and develop risk mitigation strategies through dialog with our senior management. Our **annual supplier evaluation** includes purchasing and logistics criteria. It also incorporates quality, environmental and performance criteria requirements, amongst others, and the signing of agreements. Our supplier base has approximately 1,860 suppliers worldwide. We conduct annual evaluations of our TOP suppliers in each category.

Our suppliers worldwide



As a result of the supplier evaluation, we demand improvement measures depending on status and hold feedback talks or conduct audits for further development. All our sites have Supplier Quality Assurance (SQA) specialists who regularly visit and audit our suppliers, such as all our major raw material suppliers, to monitor compliance with our requirements.

All these activities mean that we are able to address risks and advance important issues in our industry.

Activities in 2019

- Launch of the One 4 Leather initiative
- Annual training of all raw material purchasers on sustainable procurement as part of our raw material purchasing conference
- Global B-Parts SQA meeting to harmonize supplier management
- Implementation of a purchasing list based on our supplier selection process for B-Parts

Training
on sustainable procurement
for **100%**
of raw hide buyers
worldwide

Animal Welfare and Product Control

We maintain regular dialog with our suppliers and customers to ensure our high demands on product properties are always met. This ensures we can address challenges such as product integrity, animal welfare, traceability and environmental considerations throughout the entire supply chain.

We acknowledge the ► **“Five Freedoms” of the Farm Animal Welfare Council (FAWC 2012)** and refuse raw materials from countries with insufficient controls and traceability as well as a high risk of non-compliance with animal welfare. By focusing on the main procurement markets of Australia, Europe, North America and South Africa, we ensure that cattle are bred, transported and slaughtered under the best possible conditions.

Five Freedoms (FAWC 2012)



To evaluate animal welfare and animal protection, our raw material purchasing teams regularly visit beef processing plants and agricultural operations. They keep checklists and document the animal welfare standards, activities and developments of our suppliers. Animal welfare considerations are taken into account when we select our suppliers and play an important role in the evaluation process of raw hide sources.

Markings on every semi-finished and finished product ensure we can trace the entire production process chain in our plants back to the raw material. Further **traceability** of hides is also becoming increasingly important as it influences animal welfare and husbandry, ethically correct and transparent sources and ecology. Complete documentation and marking of the hides mean we are able to trace over 90% of the raw material back to the beef processing plant at any time in the production process.

We develop alternatives to replace harmful ingredients with alternative substances. Our **Product Safety & Conformity Representatives** (PSCRs) ensure that risks in product development and production are identified, avoided or minimized. We name PSCRs and their deputies for our sites worldwide and also request them from our suppliers.

We use the automotive industry's **International Material Data System** (IMDS) to provide our customers with information on the materials used in our semi-finished products and parts. None of our products contains conflict materials such as tin, tantalum, tungsten or gold.

Our list of prohibited and declarable substances – called **BADER Black List** - as well as the chemical, quality and environmental security agreements with our suppliers ensure we meet all our customer and legal requirements. We also carry out random and periodic inspections of incoming goods, leather ingredients and emissions.

Activities in 2019

- Participation in the animal welfare sub-group of the Leather Working Group for discussing and promoting activities to improve animal welfare and animal protection on a global level
- Completion of animal welfare training and provision of internal training material for raw hide procurement and sales teams
- Implementation of animal welfare projects with hide traders, slaughterhouses and farmers
- Inclusion of animal welfare in local purchasing specifications
- Implementation of various traceability projects in order to achieve greater transparency
- Expansion of business with meat packers
- Further development of product safety to product integrity by considering of product conformity



Appendix

[References](#)

[Abbreviations](#)



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Abbreviations

BAT	Best Available Technique	SQA	Supplier Quality Assurance
BEET	Best Energy Efficiency for Tanning	UN	United Nations
CCS	Competence Center Sustainability	UNIDO	United Nations Industrial Development Organization
CELADE	Latin American Development Center (Spanish: Centro Latinoamericano de Demografía)	VDL	German Leather Federation (German: Verband der Deutschen Lederindustrie)
CO ₂	Carbon Dioxide	VOC	Volatile Organic Compound
CO ₂ e	Greenhouse gases in CO ₂ equivalents		
CSR	Corporate Social Responsibility		
ECO ₂ L	Energy Controlled Leather		
EU	European Union		
FAWC	Farm Animal Welfare Council		
GADSL	Global Automotive Declarable Substance List		
GHG	Greenhouse Gas		
H ₂ S	Hydrogen Sulfide		
HIV/AIDS	Human ImmunoDeficiency Virus/Acquired Immune Deficiency Syndrome		
HVLP	High Volume Low Pressure		
IED	Industrial Emissions Directive		
IMDS	International Material Data System		
LED	Light Emitting Diode		
LWG	Leather Working Group		
NH ₃	Ammonia		
PSCR	Product Safety & Conformity Representative		
R&D	Research and Development		
REACH	Registration, Evaluation, Authorization and Restriction of Chemicals		
RF	Radio Frequency		
SAP	Systems, Applications & Products		
SCADA	Supervisory Control and Data Acquisition		
SDG	Sustainable Development Goal		

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