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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 and sustainable innovations for our leather products.

Dear Readers,

2022 was a challenging year for us all. It started on February 24, when BADER received a shocking message, the Russian military had attacked Ukraine and started a war that for many people was unthinkable. However, it was unfortunately a reality. Our largest sewing plant is located in L'viv, Western Ukraine. From day one, our colleagues and friends received enormous support from the whole BADER Group. It is amazing how our Ukrainian team maintained high levels of production and quality and won the trust of our OEM customers to continue the majority of projects. Even as the war continued, the team in Ukraine managed to obtain ISO 45001 certification and complete the installation of a photovoltaic system. We also installed the same system in our Bulgarian plant, helping us increase the percentage of renewable energy we use.

Despite these difficulties, the BADER Group continued on its path to even more sustainability. This report outlines information on activities and measures implemented in this field.

Since committing to the Science Based Targets initiative in 2021, we have worked hard to define our emissions reduction targets in line with climate science and to support the Paris agreement. Further information on this area will be available in the coming months. It is a pleasure for us to see that our customers value our efforts.

Various awards received from our customers or local authorities confirm our commitment. In China, we received the Technical Innovation Reward from SAIC-GM.

In Mexico, Honda awarded us the Sustainability Award for Renewable Energy.

Traceability of raw materials is a key point at BADER and the ICEC certification obtained in Ichenhausen underlines that. As energy supply becomes more and more of a challenge, BADER Ichenhausen commissioned a combined heat and power unit.

A highlight of 2022 was our celebration of a major anniversary for BADER: 150 years of passion for leather and innovation! We will always keep our passion and we are proud to offer a luxury and sustainable product. 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.

Enjoy reading!

Yours sincerely,



**Thomas Bader**



**Lothar Bauhofer**



**Bent Dreilich**



**Jürgen Erb**



**Marcus Röhling**



# March

Gold medal from EcoVadis in recognition of sustainability achievement



# June

ICEC Certification for Raw Material Traceability in Ichenhausen

Start of production at our new BADER plant in Nantong, China



# July

# May

## ISO 45001

### Ukraine | South Africa

ISO 45001 certification for BADER Ukraine and South Africa

# May



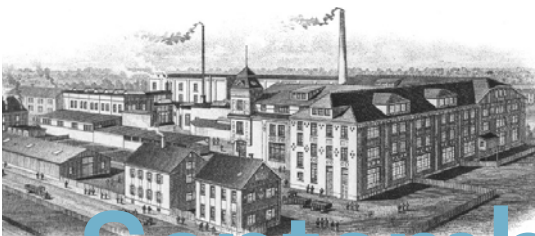
Launch of the ODP-N (Organic fertilizer pellet), made from 100% natural fibers

# August

Commissioning of a combined heat and power plant in Ichenhausen.



150 years of BADER:  
Out of passion for leather.



# September

# October



Installation of photovoltaic system in Ukraine



Technical innovation award from SAIC GM Supplier in China

# November



Honda Sustainability Award for renewable energy in Mexico

# September

# October

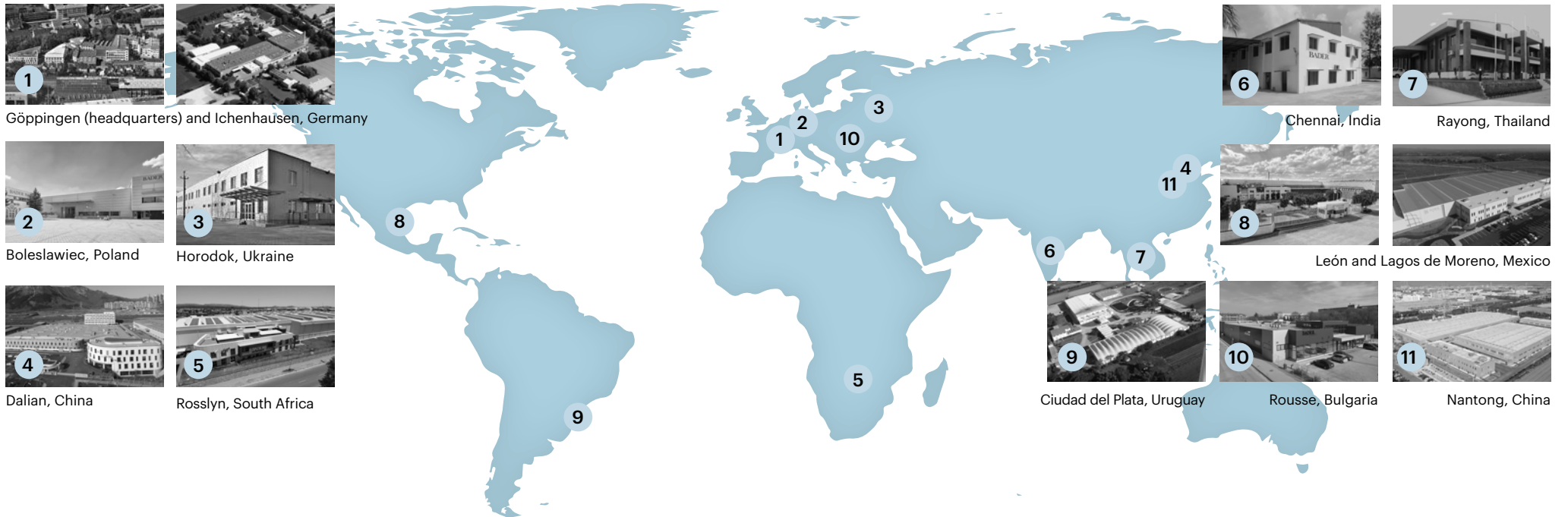


Best Employers Award for BADER China

Installation of photovoltaic system in Bulgaria



# December



BADER is one of the leading international manufacturers of premium leather for the automotive industry. We create automotive solutions for every area of application and every type of vehicle – from leather finishing and customized cutting to finished upholstery. BADER’s exclusive leathers shape mobile living spaces – as seat covers, armrests, steering wheels, door trims, instrument panels, gearshift knobs or boots.

Today we manufacture leather specifically for the automotive industry with an estimated share of the global market of 20–25%. BADER supplies all major automotive markets from local production sites in ten countries and through an international supplier and logistics network. Worldwide, we produced 80,000 m<sup>2</sup> of leather as well as seat covers for 3,500 vehicles every day in 2022.



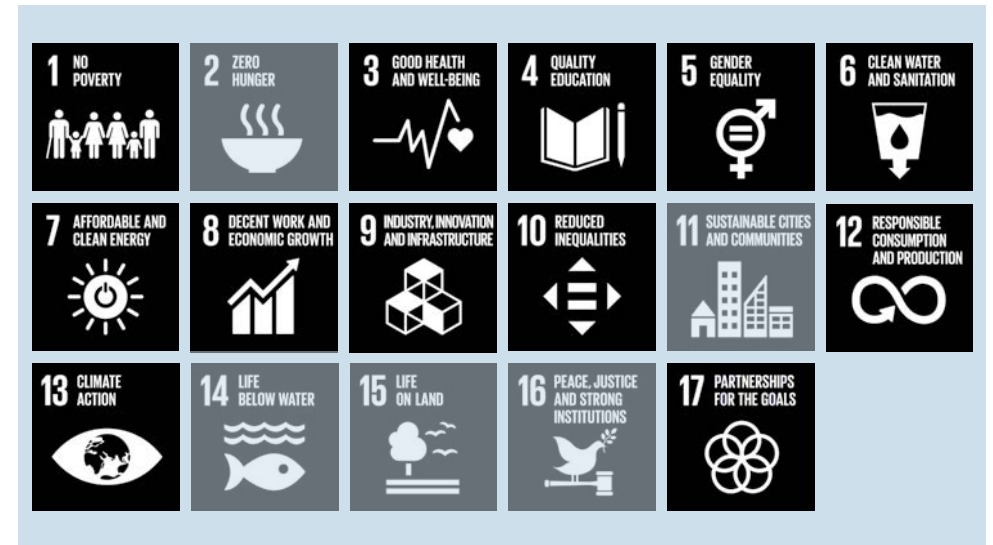
## About this Report

BADER is a signatory to the ► **United Nations Global Compact (UN Global Compact 2023)** 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 12 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 sixth annual report since 2017 covering the reporting period for the 2022 calendar year (January 1 to December 31).

The material Sustainable Development Goals (SDGs) for BADER



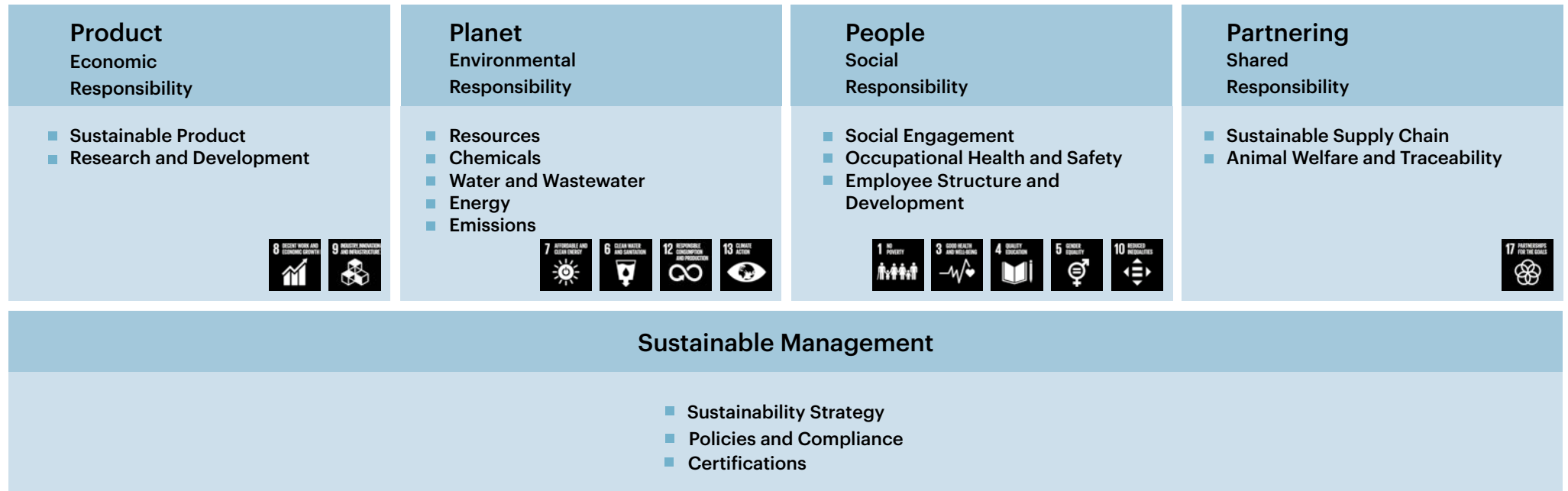




This sustainability report links BADER’s activities to the Global Compact Principles and SDGs and assesses our contribution in the relevant areas. We have structured the report using the ► **3P concept (Elkington 1994)**, which describes the three dimensions of sustainability: product (economy), planet (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





# 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

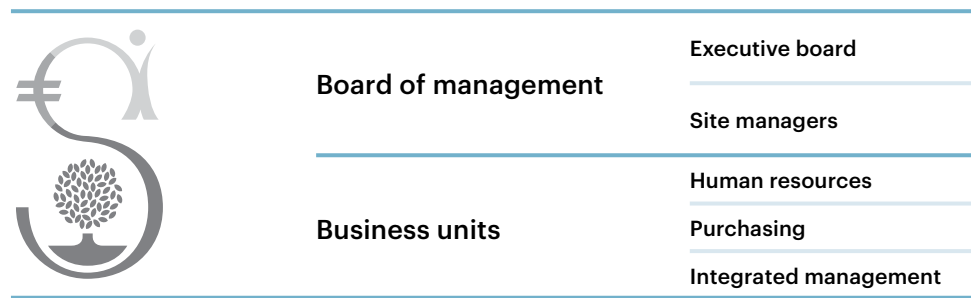
Certifications



## 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, ISO 45001 has been part of our integrated management system

since 2020 and will be rolled out to more sites in 2023. As of 2022, the required regular internal ISO 45001 system audits have included social audit requirements. The BADER internal audit questionnaire has been expanded to include requirements from the international standard on social accountability SA8000:2014

We invest significant resources into researching and developing sustainable products, processes and technologies. These are assessed on a holistic and life cycle basis and further minimize resource consumption and emissions. We now only offer Chromium-free leather for all new projects.

In 2021, BADER committed to setting science-based emissions reduction targets within the next 24 months through the **► Science Based Targets initiative (Science Based Targets initiative 2023)**. We support this commitment with the environmental and sustainable certifications ISO 14001, ISO 50001, ECO<sub>2</sub>L, 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

We act in a long-term and forward-thinking manner	We set standards for health and well-being	We research and develop sustainably and holistically	We address goals together with customers and suppliers
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## Policies and Compliance

BADER is committed to legal compliance and fair business practice and works continuously on strategies to minimize risk. Our ► **BADER Group Policy (BADER 2022a)** 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 2021c)** 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.

We pursue a zero-tolerance policy and do not tolerate violations of the law or our values and principles of conduct. If there is any suspicion of possible violations, or if actual violations are identified, internal and external stakeholders can contact us confidentially and anonymously if they wish to. We investigate the concerns raised, take appropriate action and provide feedback.

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. To guarantee information security, participation in TISAX enables us to independently confirm compliance with objective standards when storing and exchanging sensitive information and data.

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



## 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 2023b)** and have them regularly reviewed through external audits.

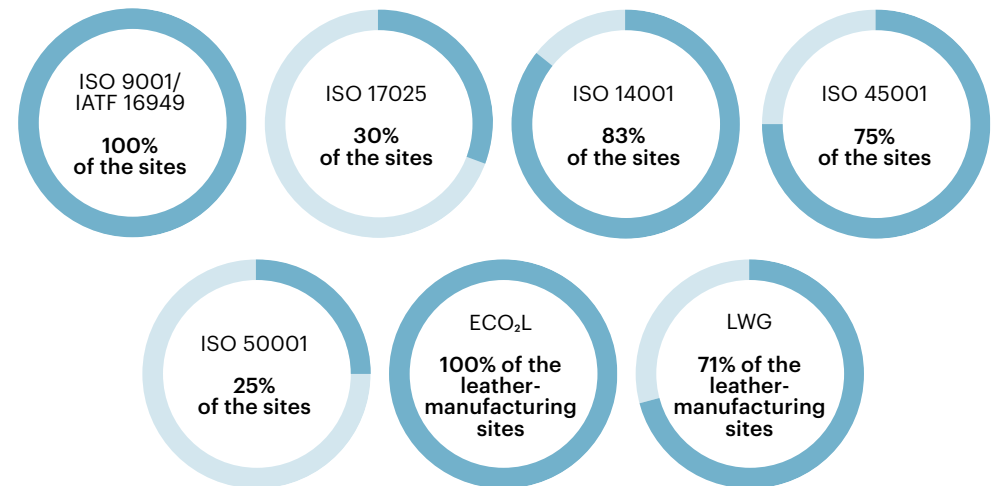
All BADER sites have a quality management certification in accordance with ISO 9001 and/or the specific automotive quality management system IATF 16949. Three sites with testing and calibration laboratories are certified according to ISO 17025. All leather-manufacturing sites have the ISO 14001 certification for environmental management. Three sites have an energy management system certified to ISO 50001. The ISO 45001 standard for occupational health and safety management has been introduced at nine sites already. We are gradually rolling out this certification to our other sites worldwide. In 2022, BADER Mexico was awarded a silver medal for the social audit by ► **RBA (Responsible Business Alliance) (RBA 2023)**. We plan to undertake more social audits in other locations. In 2022, BADER Germany obtained the ► **ICEC Certification** which covers the traceability of raw materials. (► **Chapter Partnering**)

By the end of 2021, all leather-manufacturing sites had obtained the ► **Energy Controlled Leather (ECO<sub>2</sub>L) Certification (VDL 2013)**. This first international benchmark for tanneries on energy and carbon dioxide (CO<sub>2</sub>) 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 2023)** which sets requirements for the assessment of the environmental performance of tanneries (► **Chapter Planet**).

Since 2015, BADER has regularly completed customer sustainability questionnaires from the established providers Ecovadis and NQC with constantly increasing requirements. We achieved the gold Corporate Social Responsibility (CSR) rating from Ecovadis for the first time in 2022 and are among the top 7% of the evaluated suppliers. With NQC, our reportable sites achieved between 82% and 95% of the total score with a mean value of 88%. 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 2022:

- ISO 45001 certification for BADER South Africa and Ukraine
- ISO 14001 certification for BADER Mexico (Lagos de Moreno)





## 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

8 DECENT WORK AND ECONOMIC GROWTH



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



In Focus: Sustainable Fertilizer

Sustainable Product

Research and Development

## Product – In Focus: Sustainable Fertilizer



# In Focus

Sustainability and life cycles are both the basis and the driving force for us. BADER breathes new life into residual materials and by-products of the leather industry through its upcycling partnership with ► **AVEMA (AVEMA 2023)** to develop innovative sustainable products.

The product range includes, for example, the sustainable GRETA plant pots, which decompose completely in the soil, releasing valuable nutrients to the plant, and the AVEMA ODP-N fertilizer.

ODP-N is an organic fertilizer pellet made of one hundred percent collagen fibers upcycled from leather processing operations and has a built-in long-term effect. The fertilizer is suitable for almost all plants. ODP-N in its pure form is the ideal nitrogen fertilizer and serves to promote soil life. It also bridges fluctuations in the water supply due to its moisture-regulating effect. The pellet stores over 100 % of its own weight and can return this moisture to the soil.

ODP-N works without additives based on polymers and wax layers. We do not use pelletizing aids and process the collagen fibers using our own expertise and without any thermal damage. By using complex recycled collagen fibers, new resources are not wasted in the production of ODP-N. It consumes only a fraction of the energy required to produce synthetic nitrogen fertilizers. Our fertilizer is ► **FiBL (FiBL 2023)** listed and suitable for organic farming. We meet the standards of numerous environmental associations, such as ► **Naturland (Naturland 2023)** and ► **Ecovin (Ecovin 2023)**.

We continue working on developing more products and ideas using recyclable materials from other production processes to make even better use of resources.

## Sustainable Product

Leather is one of the oldest and most versatile materials known to mankind. At BADER, we have been working with this sophisticated natural material for over 145 years. We are convinced that properly made and sourced leather is a truly sustainable choice.

There are a number of properties that make leather such a unique material. It is highly versatile, non-flammable, flexible, easy to clean and at the same time luxurious and naturally beautiful. It is also extremely durable which is why it almost never needs to be replaced. This longevity is an important factor in leather's sustainability. What is more, if a leather product comes to the very end of its life, it is both biodegradable and compostable – in contrast to alternative materials.

As raw hides are natural **▶ by-products of milk and meat production (UNIDO 2017)**, the demand for leather has no impact on the number of animals slaughtered. So, upcycling these hides into leather is not only an appropriate use of an available, renewable resource, it can also substitute products made from non-renewable raw materials such as petroleum-based plastic sheets and textiles.

In addition to this, leather production results in many different by-products (**▶ Chapter Planet**). We are constantly developing new ideas to make sensible use of by-products from leather production, as is the case with **▶ AVEMA (AVEMA 2023)**. Our passion for leather also means that we deal with this material responsibly. We are therefore constantly looking for new ways to use our existing products and residual materials in the widest possible range of high-quality applications.

Leather's versatility and its many natural qualities make it a remarkable material with immense potential for a sustainable future.

### The special features of leather

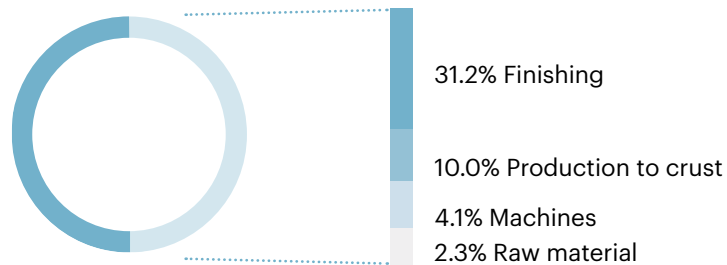
- Renewable material with many different properties
- Natural by-product of the meat industry
- Compostable and biodegradable at end of life
- High quality by-products of leather production



## Research and Development

BADER invests heavily in research and development (R&D) of sustainable products, processes and technologies. In 2022, nearly 50% of our R&D projects were driven by ecological and/or social aspects in addition to technical and economic aspects. 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



52.4% ■ Technical-economic R&D projects  
47.6% ■ 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 2022, sustainable suggestions included measures for the conservation of resources, e.g. reduce paper consumption and the use of chemicals in production.

### Sustainable R&D projects in 2022

#### Finishing

- B-Green leather developments

#### Production to crust

- Trials of alternative tanning procedures
- B-Green leather developments
- Trials for reduction of COD values

#### Machines and process development

- Project to reduce chemicals in the finishing process
- Project to reduce energy consumption and loss of surface area through improved drying technologies
- Projects to improve the useable area of leather

#### 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 and deforestation risks 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



7 AFFORDABLE AND CLEAN ENERGY



In Focus: Water Cycle

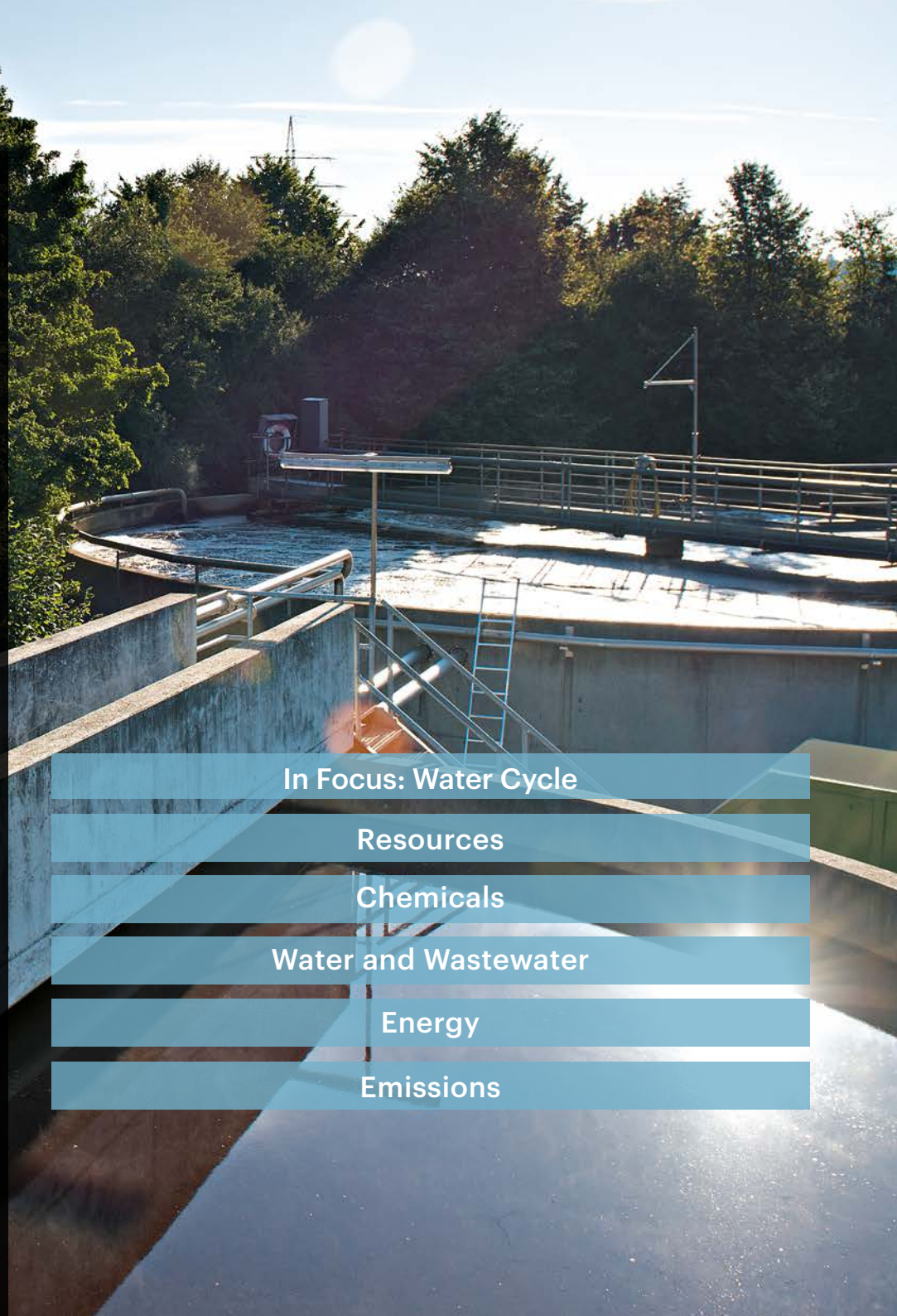
Resources

Chemicals

Water and Wastewater

Energy

Emissions



## In Focus: Water Cycle



Responsible and economical use of resources is an essential part of the corporate philosophy and sustainability policy of BADER. As one of the key auxiliary materials in tanning, water has a special part to play in BADER's circular manufacturing process.

Tanneries are often accused of consuming large volumes of water. It is important to distinguish between water consumption and water use here. BADER Ichenhausen has now identified a key fact from its Life Cycle Assessment (LCA): Water consumption in the tannery is low, but water use is high.

This is a crucial difference, as water consumption involves taking water from one biotope and transferring it to another after use. This is the case, for example, when a company extracts groundwater, uses it in production, and then discharges the treated wastewater into a river. Water use involves taking water from a biotope, using it, and then returning it to the same biotope. This is the case in Ichenhausen in Germany, where the local river Günz acts as a water source for our tanning process and, after a week of purification in our treatment plant, the water is returned to the river. The responsible water authority has also confirmed that BADER does not adversely affect the water balance in the river Günz. The amount of water consumed has no impact on the ecological footprint.

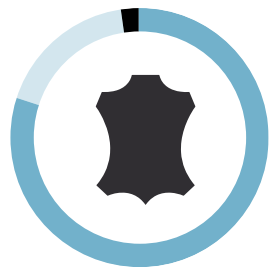
BADER aims to further improve water efficiency by applying best practice technologies and implementing effective water management techniques, as we believe that there is always room for improvement.

# 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 m<sup>2</sup> leather (finished and split leather) to produce a range of products and by-products such as ► **dog chews (Frankly Pet 2023)**. 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, compound material, 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%.

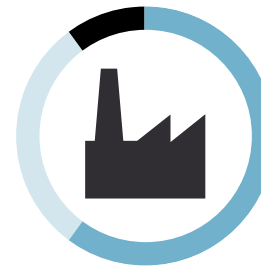


**Material input at the tannery site in Ichenhausen (dry substance of the raw hide)**

- 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 2022

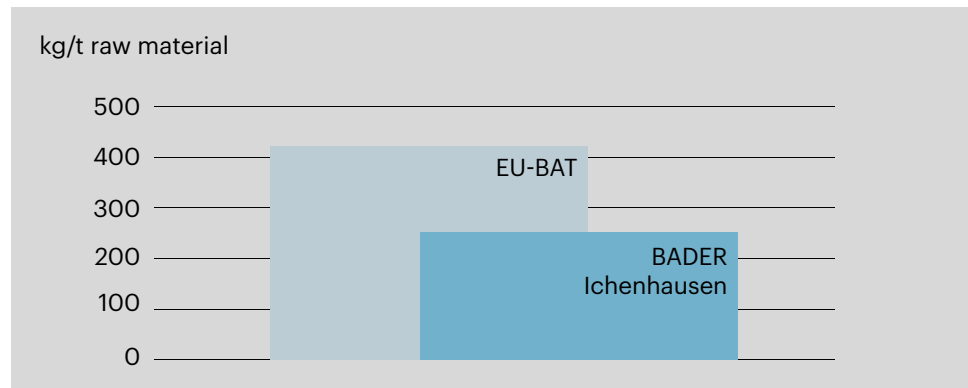
- Further trials using boiler ash in brick manufacturing as a viable recycling option in South Africa
- Last phase for the launch of ecological bricks made from leather shavings in South Africa
- Trials for the reuse of leather trimmings for the production of shoe soles in Uruguay
- Use of sludge as fertilizer for soil improvement in Uruguay and South Africa
- Research on the recyclability of leather at the end of its useful life, e.g. 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. For new and test chemicals, we have a global SAP-based, four-stage approval process with regard to food suitability, customer requirements, occupational safety and effects on wastewater treatment.

### Chemical use at the tannery site in Ichenhausen 2010-2022



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 2022

- Constant dialog with our chemical suppliers to promote the development of less sensitive substances, focusing on increasing the proportion of bio-based content in our products
- Discussion with chemical suppliers on the exchange of LCA information. The first results have been reported
- Reduction in Na<sub>2</sub>S and liming auxiliary in South Africa

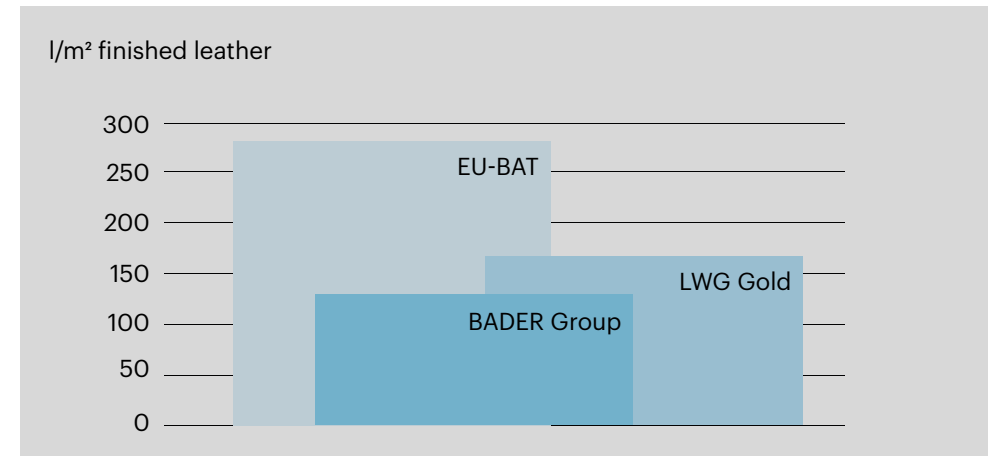
## Water and Wastewater

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 2022 was less than 135 l per m<sup>2</sup> finished leather. We are thus below the strictest **LWG Gold requirements (LWG 2023)** of 165 l per m<sup>2</sup> and well below the **EU-BAT standard (EU 2013)** of 285 l per m<sup>2</sup>.

Water use of our leather-manufacturing sites 2016-2022



### Activities in 2022

- Reuse of final effluent to save approximately 40% of well water consumption in Uruguay
- Improvement of rainwater harvesting system in South Africa to reduce the water footprint

## 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 analyses 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 sites in Germany and China.



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  
 BADER Thailand - 056

The ► **ECO<sub>2</sub>L (VDL 2013)** and ► **LWG audit systems (LWG 2023)** 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. All seven sites are ECO<sub>2</sub>L 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 2022

- Installation of radio frequency dryer for crust leather in Poland
- Installation of gas-direct infrared radiation dryer in the new sewing plant in China
- Further replacement of fluorescent lighting with LED lamps in Mexico, Thailand, Bulgaria, Poland and China
- Replacement of second circulating air dryer in Germany with a gas-direct infrared radiation dryer to reduce energy consumption by 30-40%
- Automation of aeration system in Uruguay to optimize energy consumption
- Commissioning of combined heat and power plant in Ichenhausen

## Emissions

The ► **most relevant emissions (e.g. the SauerReport 2018)** into the atmosphere from a conventional tannery are odor, ammonia (NH<sub>3</sub>), volatile organic compounds (VOCs) and greenhouse gases (CO<sub>2</sub> equivalents). BADER has been consistently implementing chemical and environmental management systems to prevent or minimize the output of these emissions. The ► **ECO<sub>2</sub>L (VDL 2013)** and ► **LWG (LWG 2023)** protocols are important, science-based instruments to support our calculations. ECO<sub>2</sub>L focuses on our greenhouse gas emissions, while LWG also monitors emissions e.g. from beamhouse, boilers and spraying machines.

Greenhouse gases (CO<sub>2</sub>e) 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 (CO<sub>2</sub>) 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 CO<sub>2</sub>e/m<sup>2</sup> 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)**. To have a better understanding of the ecological impact of our products, we completed a full and comparative life cycle assessment (LCA) study for four different leathers.

In 2021 BADER committed to set science-based emissions reduction targets across all scopes through the ► **SBTi (Science Based Targets initiative 2023)**. BADER has a CO<sub>2</sub> working group to set targets and determine reduction potential.

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 2022, the annual mean values of VOC emissions at our five major leather-manufacturing sites were between 8 and 21 g of solvent per m<sup>2</sup> 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 2022

- Installation of photovoltaic systems in Ukraine and Bulgaria to increase the proportion of renewable energies and reduce CO<sub>2</sub> emissions
- Implementation of a reporting tool to calculate the Corporate Carbon Footprint (CCF) and the Product Carbon Footprint (PCF)
- Implementation of high-efficiency air emission treatment equipment to reduce VOC emissions in China

CO<sub>2</sub>-emissions **2-3**  
**kg CO<sub>2</sub>e/m<sup>2</sup>**  
finished leather of the  
BADER-group





# 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: Solidarity with Ukraine

Social Engagement

Occupational Health and Safety

Employee Structure and Development

## People – In Focus: Solidarity with Ukraine



At the end of February, an offensive against Ukraine shocked the world. The city of Lviv, in western Ukraine, where BADER has production sites, was also initially affected. As the war is mainly taking place in the east and south of the country, production at BADER continues in the cities of Horodok and Kozhychi. Since the end of July, 2600 of the 3000 employees have been producing seat covers for our customers again. The fact that production is still possible at all is due to BADER's courageous and loyal employees and to our customers who remain loyal to our production plant in Ukraine.

As a sign of solidarity with the Ukrainian people, we have been taking the following measures:

- Financial support for employees-combatants
- Support for workers participating in the war (e.g., medical treatment)
- Support for the families of those killed in the war
- Employee training on civil protection (for war circumstances)
- Fundraising and donations for those affected

The situation also triggered a great outpouring of solidarity and willingness to help among the employees. An in-house appeal for donations in Göppingen was gratefully accepted and, within a short period of time, almost 2.5 tons of goods were donated. With the help of our trainees, these were sorted, loaded and transported with BADER's sprinters and trucks to the Polish plant in Boleslawiec, where they were distributed to BADER colleagues who had fled, but also transported directly to the city of Lviv in Ukraine. All colleagues in all BADER locations stand together with our colleagues in Ukraine.

The BADER family stands together with our Ukrainian friends in these extremely challenging times. There are no winners in war, and we join others in calling for the restoration of peace.

## 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
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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 2022, 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 Poland, Germany and Mexico, we support hospitals, nursing facilities and hospices. In Bulgaria, a campaign to donate plastic bottle caps for recycling helps to buy incubators for babies and other medical equipment for children's hospitals. In South Africa, we offer medical care in our on-site clinic and donate to charitable organizations that support HIV/

AIDS orphans. Since the onset of the COVID-19 pandemic, we continue to support our communities through the implementation of various protective measures.

In the area of **sport**, we rely on building partnerships with different sports clubs and associations. Uruguay, Bulgaria and Ukraine, we collaborate with local football teams. In South Africa, we sponsor BADER's Sports Club and local sporting events. In Poland, we participated in the “Women's Run”, an event promoting breast cancer prevention.

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, Bulgaria and Mexico, we sponsor school equipment and clothes for children with limited resources. The BADER Green Pigeon Reading Room project was established in China, donating more than 2000 books for students with limited resources. In Poland, we support a children's home in Bolesławiec. 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 promotes **art, culture and history** with a range of regional projects. In Thailand, we support the community by joining the Buddhist Kathin ceremony celebrations in the nearby temples, distributing new year gifts and promoting local businesses. The “Give me 5” program launched in Mexico in 2021 provides employees with the opportunity to make monthly contributions to support projects of their choice, such as painting a church. Four different projects were carried out in 2022.

In 2022, BADER celebrated its first 150th anniversary. This significant event gave us a unique opportunity to look ahead to the future and continue our commitment to society.

## 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 2022a)**. 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 H<sub>2</sub>S, including measuring devices in risk areas, mobile measuring devices and a UNIDO H<sub>2</sub>S 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, vaccination programs 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 2022

- ISO 45001 certification for BADER South Africa and BADER Ukraine
- COVID-19 prevention measures at all BADER sites, such as offering protective masks, testing options and vaccination campaigns, as well as various measures to promote health and a strong immune system
- Medical care at 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
- Health Days in Poland and in Germany with preventive measures, body mass index (BMI) analysis and nutritional advice
- Emergency telephones for isolated workers in Germany. The telephones have a location and motion sensor. If no movement is registered by the motion sensor for 90 seconds, it issues an alarm to improve worker safety
- 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 benefits, great practices in green economy, sustainable management and corporate governance
- BADER Mexico was awarded a silver medal for the social audit by ► **RBA (Responsible Business Alliance) (RBA 2023)**.

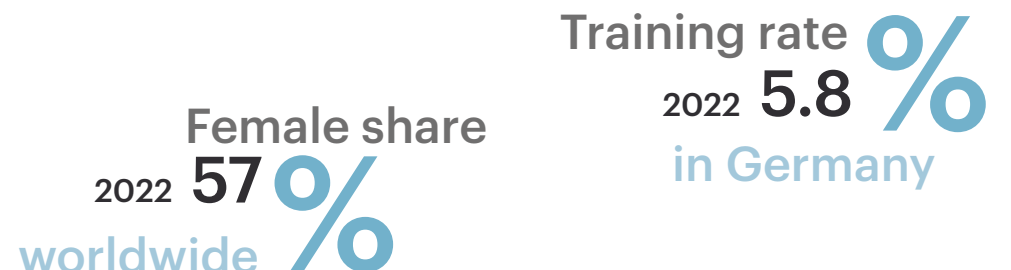
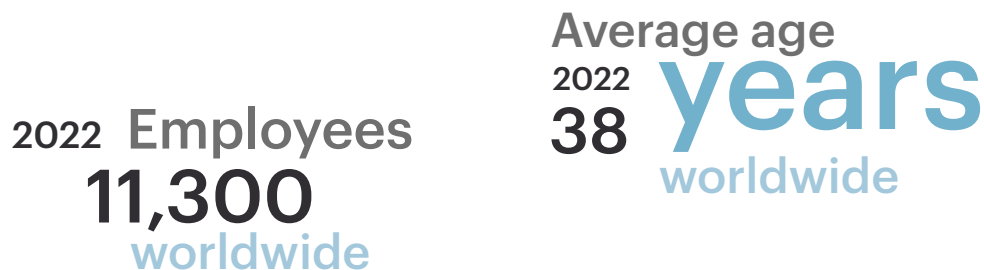
## Employee Structure and Development

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 2022a)**. The diversity of our employees is our fundamental strength. About 11,300 employees with different backgrounds and experiences work at our 13 sites worldwide:

- The average age worldwide is 38 years (2021: 37 years)
- The proportion of female employees worldwide is 57% (2021: 53%)
- The proportion of foreign employees worldwide is 3% (2021: 3%). This fluctuates due to different regional labor market conditions between 0% in China and Mexico and 36% (2021: 35%) in Germany where we also employ recognized refugees
- The proportion of severely disabled employees in our workforce worldwide is 2% (2021: 2%)
- At the end of 2022, 5.8% of the workforce was trainees, specifically 31 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.

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





## 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: ICEC Certification

Sustainable Supply Chain

Animal Welfare and Traceability

## Partnering – In Focus: ICEC Certification



# In Focus

As a leading leather manufacturer, responsible sourcing and transparency are key topics for BADER. We are constantly working on a more sustainable supply chain to meet the demands of car buyers and OEMs who support and see the use of leather as an ethical and transparently sourced material.

To meet these requirements and to provide validated information on traceability, BADER decided to have this information certified by ► **ICEC (Institute of Quality Certification of the Leather Sector)**, an independent Italian organization founded in 1994. ICEC is the only institute in the world dedicated to the leather sector and issues traceability certifications. The certificates provide a rating (sufficient, good, very good, excellent) that indicates the degree of control that the tannery has over its purchases in terms of traceability of the hides (countries, and names of the slaughterhouses and farms).

BADER Ichenhausen obtained the TS 410 product certification as a processing tannery in June 2022 with the rating of “VERY GOOD”. The TS 410 certification includes raw material, semi-finished or finished leather.

The scope of this certification covers the traceability of raw materials starting with information on the animal breeding or husbandry sites which supply the hides (where available) up to the point of entry of these raw materials into the organization.

Leather is one of the oldest and more versatile materials and has therefore been the preferred choice for car interiors for generations. We are convinced that transparency in the supply chain is the key to ensuring that leather will continue to be used for a more sustainable future.

## Sustainable Supply Chain

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 2022a)**. We communicate our supply chain strategy and basic principles of conduct to our business partners via our ► **Code of Conduct (BADER 2021c)**, ► **Terms and Conditions of Purchase (BADER 2023d)**, contracts and security agreements. All of our suppliers of raw hides and semi-finished products have signed the Code of Conduct since 2017 and we are in the process of including other supplier groups as signatories. We 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.

Our purchasing and supplier management teams oversee and maintain the complex supply relationships. 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 as occupational health and safety, quality and environmental management. Our supplier base has approximately 1,860 suppliers worldwide. We conduct annual evaluations of our TOP suppliers in each category. 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.



### Our suppliers worldwide





We are 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. More than 86% of our suppliers completed this process between 2012 and 2022.

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

## LWG certified

2022  
**86%**

2021  
**79%**

of contract tanners and suppliers  
of semi-finished products

## Training on sustainable procurement

for **100%**

of raw hide buyers worldwide

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 2022

- Participation in the ▶ **One 4 Leather initiative (One 4 Leather 2022)**
- Membership of the ▶ **Leather Naturally association (Leather Naturally 2022)**
- Preparation and implementation of the Supply Chain Act

## Animal Welfare and Traceability

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 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.

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.

To drive environmental benefits through our supply chains we are focusing on expanding raw hide procurement from regenerative agricultural systems and value chains. Regenerative farming stimulates biodiversity, helps to build soil health, reduces greenhouse gas emissions, conserves water quality and enhances the welfare of cattle.

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, deforestation 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.

### Five Freedoms (FAWC 2012)



### Activities in 2022

- Participation in the traceability and animal welfare sub-groups of the Leather Working Group
- Full membership of the ► **European Roundtable for Beef Sustainability (ERBS 2022)**, a multi-stakeholder organization that unites and coordinates sustainability programs within the beef value chain
- Participation in the Communications Working Group of the European Roundtable for Beef Sustainability
- Demand and support of assuring animal welfare in our supply chain
- Implementation of various traceability projects in order to achieve greater transparency
- Minimizing deforestation risks in our supply chains
- Implementation of raw hide procurement from regenerative, organic, and more sustainable farms and ranches
- Expansion of business with meat packers
- Implementation of the ► **ICEC Certification (ICEC Certification 2023)** at BADER Ichenhausen
- Engagement with NGOs



# Appendix

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Abbreviations



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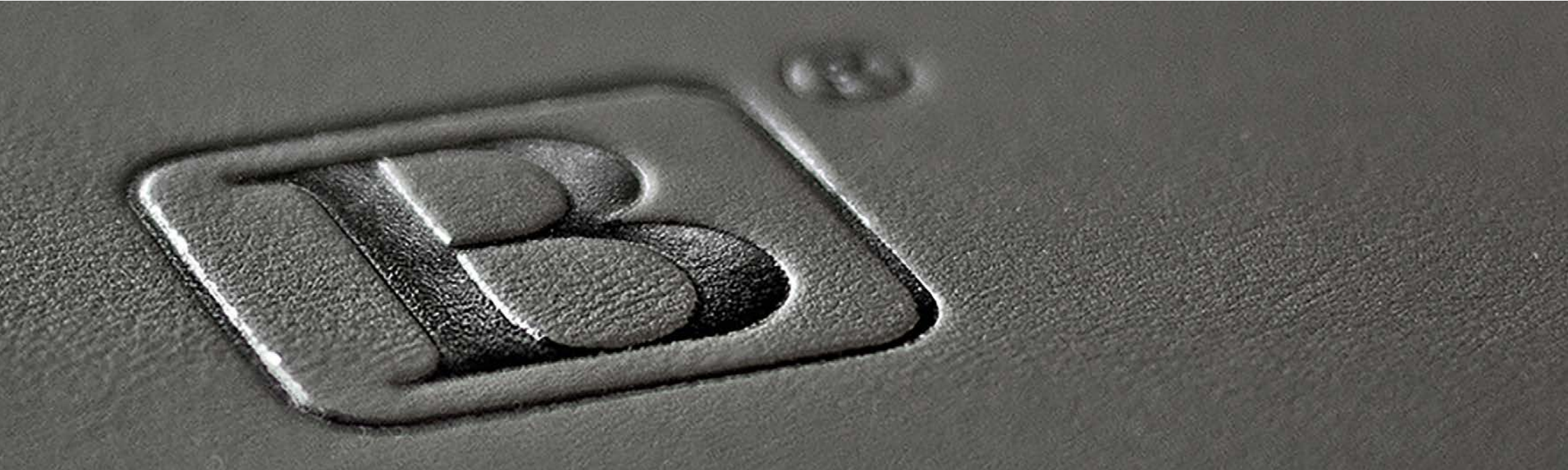


## Abbreviations

BAT	Best Available Technique	LWG	Leather Working Group
BEET	Best Energy Efficiency for Tanning	Na <sub>2</sub> S	Sodium sulfide
BMI	Body Mass Index	NGO	Non-governmental Organization
CCF	Corporate Carbon Footprint	NH <sub>3</sub>	Ammonia
CCS	Competence Center Sustainability	ODP	Organic fertilizer pellet (German; Organisches Düngepellet)
CO <sub>2</sub>	Carbon Dioxide	PCF	Product Carbon Footprint
CO <sub>2</sub> e	Greenhouse gases in CO <sub>2</sub> equivalents	PSCR	Product Safety & Conformity Representative
COD	Chemical Oxygen Demand	RBA	Responsible Business Alliance
COVID-19	Coronavirus Disease 2019	R&D	Research and Development
CSR	Corporate Social Responsibility	REACH	Registration, Evaluation, Authorization and Restriction of Chemicals
ECO <sub>2</sub> L	Energy Controlled Leather	SAP	Systems, Applications & Products
ERBS	European Roundtable for beef sustainability	SBTi	Science Based Target initiative
EU	European Union	SDG	Sustainable Development Goal
FAWC	Farm Animal Welfare Council	SQA	Supplier Quality Assurance
FiBL	Research Institute of Organic Agriculture (German: Forschungsinstitut für biologischen Landbau)	TISAX	Trusted Information Security Assessment Exchange
GADSL	Global Automotive Declarable Substance List	UN	United Nations
GHG	Greenhouse Gas	UNIDO	United Nations Industrial Development Organization
H <sub>2</sub> S	Hydrogen Sulfide	VDL	German Leather Federation (German: Verband der Deutschen Lederindustrie)
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome	VOC	Volatile Organic Compound
HVLP	High Volume Low Pressure		
IATF	International Automotive Task Force		
ICEC	Institute of Quality Certification of the Leather Sector		
IED	Industrial Emissions Directive		
IMDS	International Material Data System		
ISO	International Organization for Standardization		
LCA	Life Cycle Assessment		
LED	Light Emitting Diode		



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