



UNIC

CONCERIA ITALIANA

SUSTAINABILITY REPORT

2016



UNIC
Unione Nazionale Industria Conciaria

The Italian Tanners Association is the greater national association in the world of the leather sector. It works since 1946 to promote the Italian Tanning Industry and it is the leader of a group of companies engaged in different field: trade fairs, scientific consultancy, stylistic trends, legislation, publishing and certification.

PRESENTATION

For 14 years the report by UNIC, the Italian Tanners' Association has provided a snapshot of the Italian tanning industry's commitment to the pursuit of product and process sustainability to the benefit of the entire supply chain, creating value and premium-quality products.

The topics and data analysed are derived from a materiality assessment that has taken into account their relevance for both the tanning industry and also its direct stakeholders, thus producing a document that aims above all to be a tool for information and dialogue.

Indeed, the 2016 Report focuses particularly on industry initiatives that have been completed or are still ongoing in the hope that synergy in the leather sector will be increasingly more profitable thanks to the implementation of new cooperative projects, having the dual goal of growing the value chain and ensuring the sustainability of the entire production chain.

For years, the Italian tanning industry has been pursuing a virtuous path, reducing the consumption of resources and the impact on the environment, constantly improving performance and involving all the players in the supply chain which cooperate with the tanning industry.

Four subject areas have been identified:

- the scale of the economic and supply chain
- environmental sustainability
- social sustainability
- product ethics

The annual report sets out national data and indicators for each of the aforementioned areas, determined on the basis of the sample analysed, which represents 22.1% of the Italian tanning industry's aggregate turnover.



Each section is supplemented with detailed information on initiatives, best practice and voluntary certifications, which play an important role in bringing improvements to company and sector performance in the various areas of sustainability, which include, we should remember, social, environmental and economic aspects.

It would not have been possible to produce the UNIC annual report without the collaboration of companies which have helped in the data gathering process and other parties who have made important contributions.

To them, I offer my sincere thanks and hope that the Report is for them further acknowledgment of the widespread commitment that exists for the sustainability of the leather sector.

Gianni Russo

President of the Italian Tanners Association

WITH THE COLLABORATION OF

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CONSORZIO AQUARNO SPA
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UNIC ASSOCIATES



SPECIAL THANKS TO

ASSOMAC - National Association Manufacturers Of Footwear, Leathersgoods And Tanning Technologies

ICEC - Institute of Certification for Leather Sector

STUDIO BINI-SPALLETTI SRL - Business services consulting

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THE ITALIAN TANNING INDUSTRY AND SUSTAINABILITY

1.1 ECONOMIC FRAMEWORK

The tanning industry has deep roots in Italy, where it currently counts more than 1,200 enterprises and approximately 18,000 employees. The sector is comprised primarily of small and medium-sized businesses, concentrated mainly within regional production districts.



Due to their small size, Italian tanneries have the right flexibility required by the reference markets, both in terms of client sectors and geographical areas. The district model, typical of Italian industry, enables the creation of synergies, efficiencies, partnerships as well as endless highly stimulating discussions for developing the business and the territory in which it is located.

In 2015, the tanning industry's current economic cycle, traditionally very volatile, recorded production of 124 million square metres of finished leather and 26,000 tonnes of sole leather, for a total value of € 5.2 billion.

The contribution of exports to the sector's turnover is essential and continually growing: € 4 billion, amounting to more than 75% of overall sales.

The industry processes almost exclusively hides of bovine and sheep and goat origin, earmarked for fashion industry (42% to footwear, 25% to leather goods and 5% to clothing) and upholstery sector (furniture 16% and car interiors 10%).

Italian leather is traditionally recognized as a high quality product at global level. Its leading position is built on quality, technology, design innovation and production sustainability. Notwithstanding a comparison with competitors which benefit from privileged access to the raw material (implemented by means of protectionist measures) and less stringent commitments in terms of the environmental and social aspects, Italian tanneries are overall responsible for a production value amounting to 65% of the European total and 19% of the worldwide figure.

ITALIAN TANNING INDUSTRY: STRUCTURAL DATA

2015



1,243
COMPANIES



17,824
EMPLOYEES



124 MILLION
OF SQUARE METERS
OF LEATHER

26 THOUSAND TONS
OF SOLE LEATHER

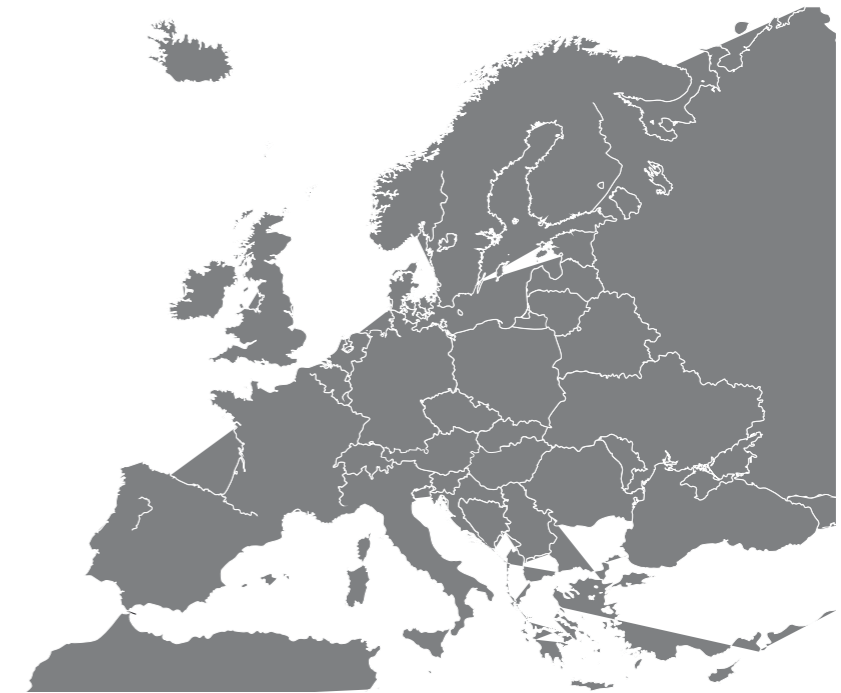


VALUE OF
PRODUCTION
5.2 BILLION OF EUROS




EXPORT
4 BILLION OF EUROS


THE INTERNATIONAL VALUE OF ITALIAN TANNING INDUSTRY





IN THE WORLD

 **19%** quota on world production


 **25%** quota on world


 **19%** quota on world import of raw material


 **17%** quota on world import of raw hides and skins


 **22%** quota on world import of semi-processed leather

IN EUROPE

 **65%** quota on EU production

 **70%** quota on extra-EU export of finished leather

 **76%** quota on extra-EU import of raw material

 **78%** quota on the total number of tanneries

 **52%** quota on the total number of employees

1.2 SUSTAINABILITY FOR THE TANNING SECTOR

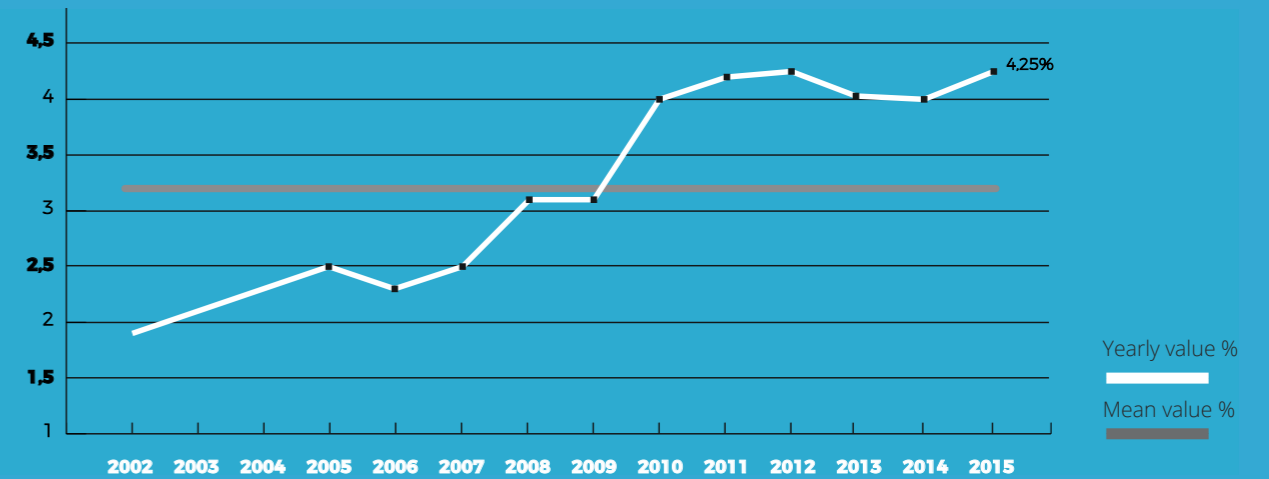
Sustainability has always been a fundamental priority for the Italian tanning industry, and it is for this reason that it has invested (and continues to invest) substantial resources every year. A firm commitment, which provides customers and consumers with the assurance that the hides used are produced with the least impact on the environment, both in terms of emissions and consumption of resources, observing human and employee rights, chemical safety requirements and animal welfare.

The ethical principles on which the sector is based are set out in the UNIC Code of Conduct, a further testament of professionalism and responsibility. Tanneries operate in accordance with principles of transparency, propriety and good faith in their dealings with personnel, institutions, customers, suppliers, competitors and third-party stakeholders. Sustainability has thus become an essential qualifying element in the supplier-customer relationship. The system and product certifications are a testament to the above.

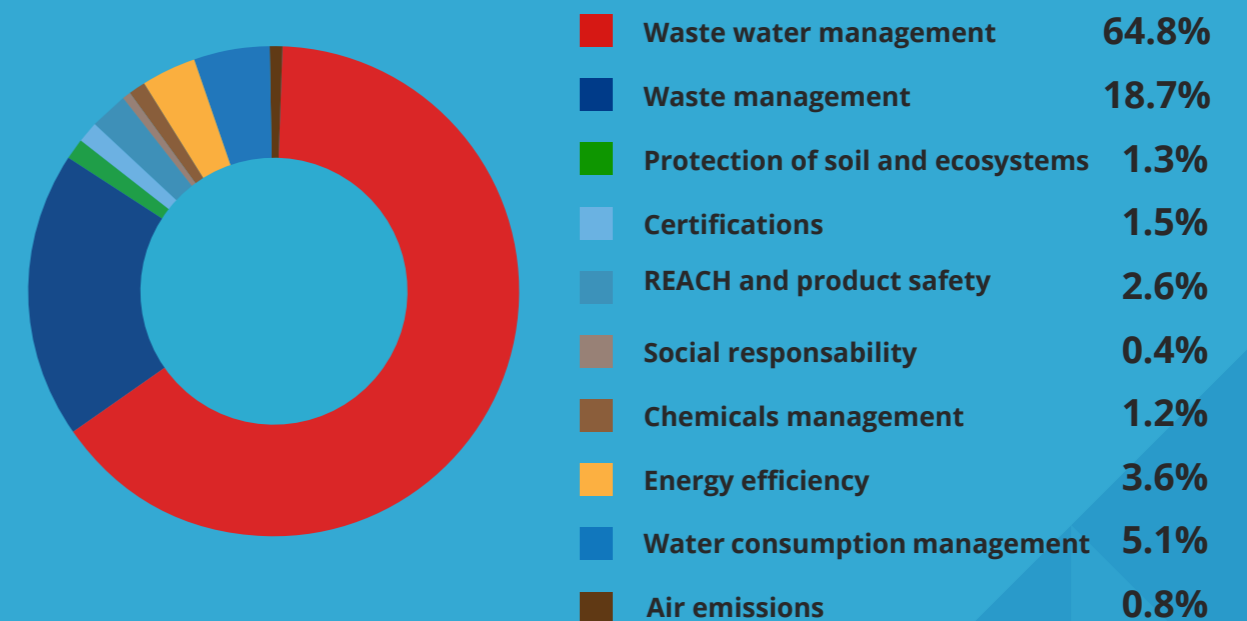
THE COSTS OF SUSTAINABILITY

- 01** Sustainable development is a strategic element for businesses in the sector, particularly for those companies that take part in the annual Sustainability Report.
- 02** Even in economically difficult periods, tanneries have continued to invest and dedicate significant economic resources to minimising the environmental impact and ensuring increasingly eco-compatible products.
- 03** In 2015, sustainability-related costs were on average equal to 4.25% of total turnover, slightly up, in percentage terms, on the last two years' figures.
- 04** The items relating to investments and environmental operating costs were, as usual, the most significant (94.3%), with wastewater clearance making up the highest percentage (64.8%). This was followed, in terms of importance, by operating costs and waste management costs.

RATIO OF SUSTAINABILITY COSTS TO TOTAL TURNOVER 2002 – 2015 / Figure 1



PERCENTAGE BREAKDOWN OF SUSTAINABILITY COSTS / Figure 2



1.3 THE LEATHER INDUSTRY: A SHARED COMMITMENT TO SUSTAINABLE DEVELOPMENT

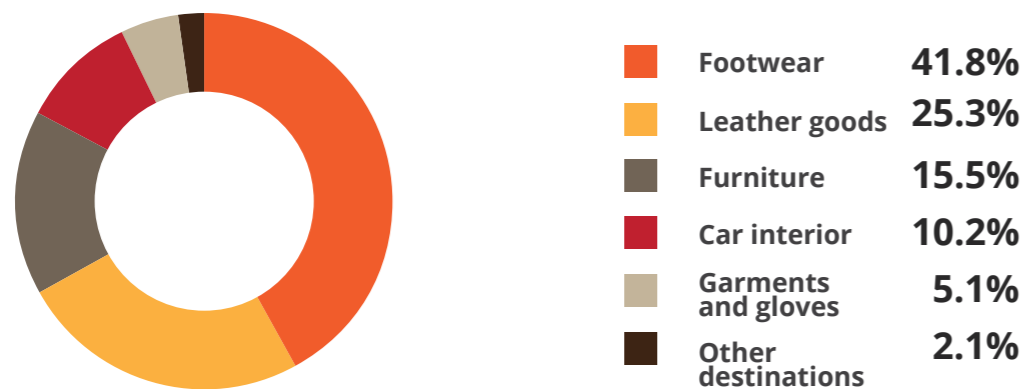
The tanning industry is an important link in the value chain of many manufactured items.

01 Leather is used to make shoes and their components, bags and leather goods, furnishings, car interiors, clothing and technical items.

02 The contribution of the Italian tanning industry is important particularly for high added value goods, which are typically placed in a broad market sector, ranging from mid to high-end luxury.

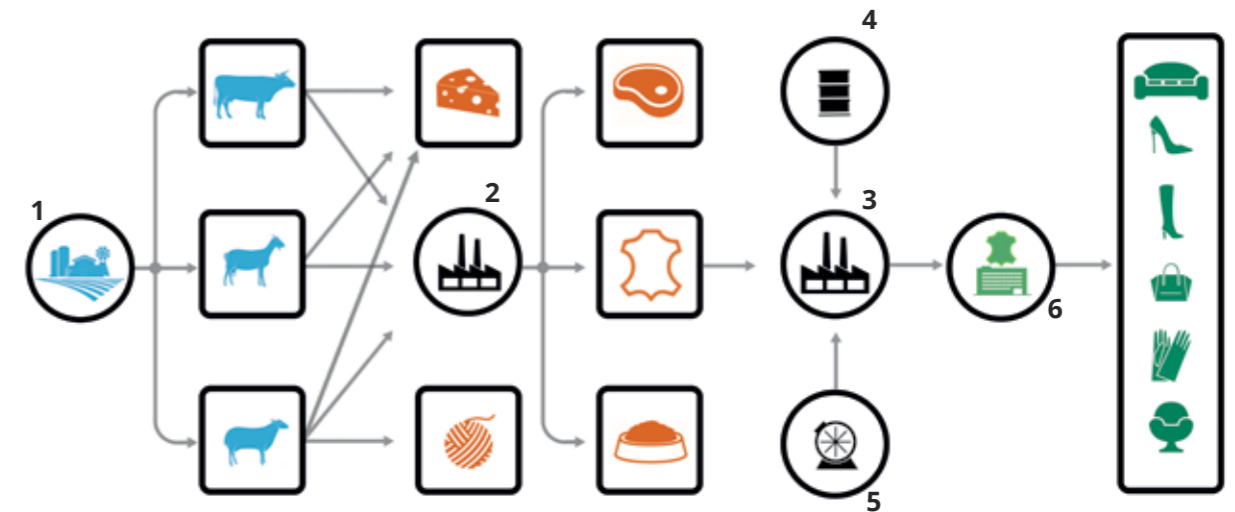
03 The undisputed quality standard, combined with craftsmanship, creative research and innovation, marks an important sector for the Made in Italy, which contributes to the success of brands and designers.

PRODUCTION OF ITALIAN LEATHER BY DESTINATION SECTOR / Figure 3



The synergies and well-balanced development of the production chain, consisting of tightly knit companies and businesses also owing to the production being organised into industrial districts, are a key factor that has further developed a unique capacity, typical of Made in Italy's premier supply industries, by directing economic development towards a more sustainable and more responsible approach.

THE SUPPLY CHAIN / Figure 4



Legenda

- 1. Breeding
- 2. Slaughterhouse
- 3. Tannery
- 4. Chemical industry
- 5. Plants and machineries
- 6. Articles manufacturing



INDUSTRY 4.0 IN TANNING – INNOVATIONS AND TECHNOLOGIES

In the leather industry too, the search for efficiency is becoming essential in order to maximise product value and optimise business production.

Fabbrica 4.0 (a name coined to indicate a fourth industrial revolution) has set itself the goal to re-evaluate the processes by introducing the capacity to adapt, customize and be highly flexible as well as by integrating technological solutions so that machines can be coordinated.

In line with these objectives, machine and plant producers for the leather industry have been developing process methodologies for some time, applying innovative systems and technologies for optimising performance in the various production areas generating advantages in terms of energy saving, optimisation of consumption and reduction in polluting waste. One example includes technologies for reproducing process protocols with the aim of reducing consumption of water and chemical products by means of accurate dosing. Another example is the recirculation of air to maximise yields through drying phase calibration.

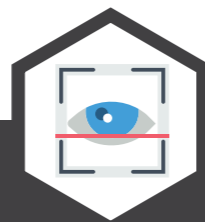
These solutions are possible today through the application of:



sensors and logic controls for monitoring



data acquisition and transmission tools



auto-diagnosis and maintenance software



standard network architectures for controls

GUIDELINES OF THE NATIONAL CHAMBER FOR ITALIAN FASHION (CNMI)

The Camera Nazionale della Moda Italiana (the National Chamber for Italian Fashion) has drawn up sustainability guidelines for the textile and leather industry, in collaboration with the chemical, textile and tanning sector.

The document focuses on the content of hazardous chemicals in the manufactured items, for which it provides lists and sets limits applicable both for the present (proactive level) and for the future (advanced level).

The document, reserved to Fashion Chamber members and those taking part in the project, was presented as part of information meetings on this subject.

The limits proposed for leather, particularly those of the future, will be regularly assessed on the basis of periodic ring tests to which the main national and international laboratories will be invited, the reliability and performance of which will also be defined.

The Fashion Chamber's work is complementary to and in synergy with CLeAR (see pag.43).



1.4 ICEC SUSTAINABILITY CERTIFICATION

ICEC, the Quality Certification Institute for the leather sector, awards, free of charge, "sustainability certifications" to showcase the excellence of those companies that adopt voluntary certification in each of the environmental, ethical-social and economic-product areas.

The aim is to promote a company's credibility, reliability and visibility by virtue of the commitment it has undertaken in all sectors, which is moreover constantly guaranteed by the ICEC through its inspection activities.

Because "Sustainability" is not a slogan but a certifiable objective.

COMPANIES WITH THE ICEC SUSTAINABILITY CERTIFICATION*

B.C.N. Conceria S.p.A.
Camaleonte S.p.A.
Conceria Antiba S.p.A.
Conceria Incas S.p.A.
Conceria Lloyd S.p.A.
Conceria Settebello S.p.A.
Dolmen S.p.A.

Rivadavia Industria Conciaria S.r.l.
Russo di Casandrino S.p.A.
Sanlorenzo S.p.A.
Sciarada Industria Conciaria S.p.A.
Vesta Corporation S.p.A.
Victoria S.r.l.

*Updated to October 12/10/2016



ENVIRONMENTAL SUSTAINABILITY

2.1 INTRODUCTION

Environmental sustainability is an intrinsic value of the DNA of the Italian tannery industry, which over time has succeeded in developing new and efficient processes, investing in research and innovation and cooperating in close synergy with the entire supply chain.

Major investments have been made to perfect processes and produce hides whose life cycle has minimal impact on the environment, particularly in order to reduce energy consumption (SEE INDECO BOX).



Tanning can be considered a precursor of the circular economy: it typically makes use of food industry waste and transforms it into a premium raw material for a high added value manufactured item.

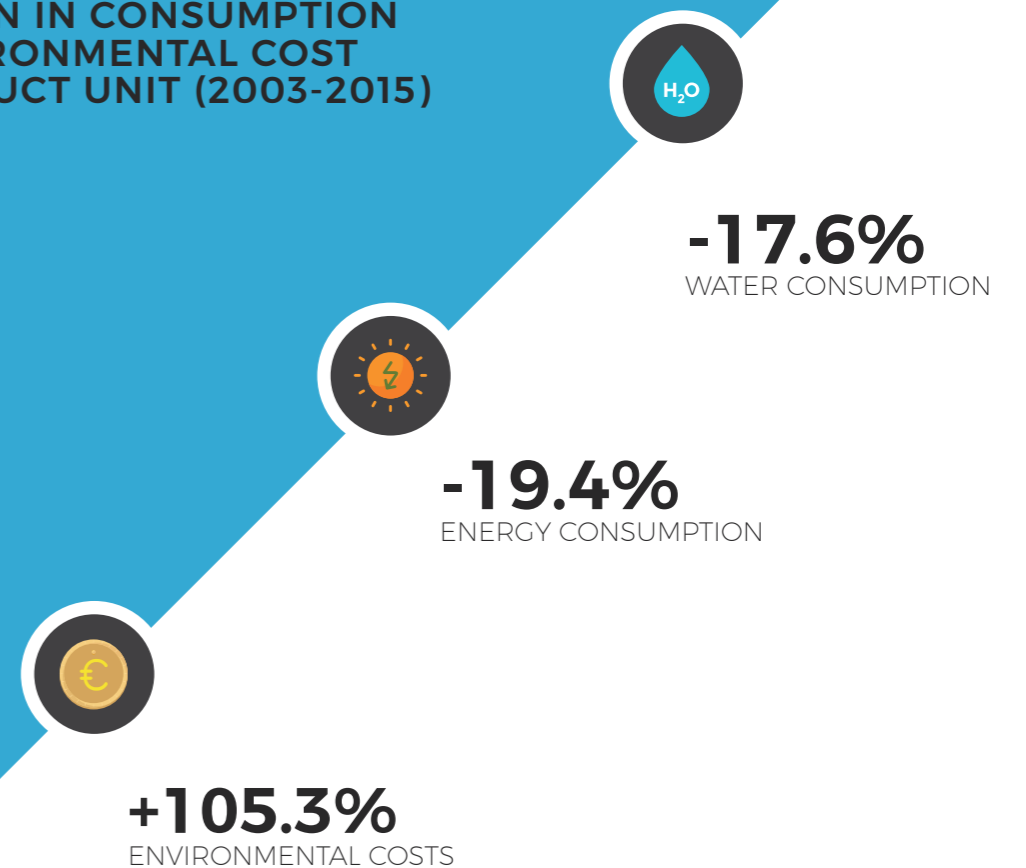
Over the years, the Italian tannery has also succeeded in exploiting some of its own production waste as secondary raw material (e.g. fleshings) or sending it for recycling or salvage/reuse (chrome effluent, shavings, packaging, etc.), due primarily to special facilities that have built in the production districts.

Certain innovative technologies, which are industry-ready or in the development stage, could make material/energy recovery possible for the remaining amounts of waste produced, both at individual business and at industrial district level, with significant improvements not only in environmental impact terms but also as regards competitiveness.

In line with the policy outlined by the European Parliament and known as the "Circular economy", this further step requires legislative and economic tools to be implemented to support applied research, the dissemination and industrialisation of innovations and improved available technologies, which should be promoted also with the involvement of institutions, universities and businesses. A process on which the Italian tanning industry has already embarked, achieving performance levels in the environmental field that are a testament to its commitment.

ENVIRONMENTAL PERFORMANCES OF THE ITALIAN TANNING SECTOR

REDUCTION IN CONSUMPTION AND ENVIRONMENTAL COST PER PRODUCT UNIT (2003-2015)



LEATHER, A RENEWABLE RAW MATERIAL

As its primary raw material, the Italian tanning industry makes use of bovine hides (79% of the total in 2015) and sheep and goat skins (20%), produced as secondary raw materials from meat slaughtering. In addition, the hide's natural characteristics combined with human intervention (breeding for food purposes) make leather a natural renewable resource, given its theoretical unlimited availability for use.

The offer of raw material is inelastic and strictly related to meat market dynamics. Due to the small national livestock, the Italian tanning industry imports over 90% of its needs (raw hides and skins, wet blue and crust leather) from about 120 countries in the world, above all from EU and Americas (USA and Brazil mainly).

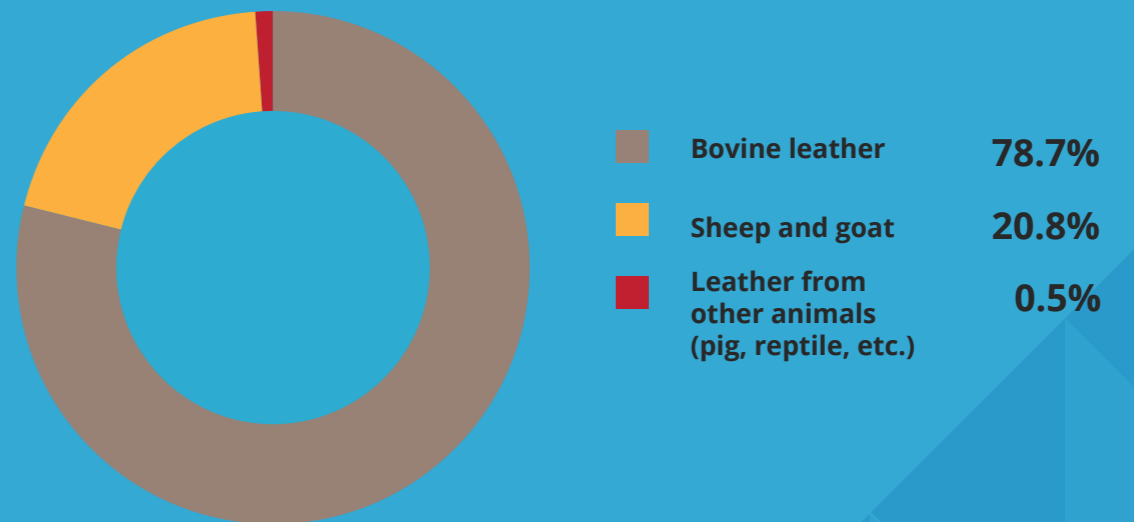
The transformation from raw hide to finished leather can be carried out in the same production site (complete cycle) or in production sites/businesses that carry out only one part of the processes, depending mainly on the supply dynamics of raw materials and their availability.

This has a significant impact on the environmental performance of companies, as clearly represented by the sample, since tanneries that carry out the complete cycle exhibit indicators with far higher values than companies which treat semi-finished products, both in terms of consumption of resources (water, energy, chemical products) and the other environmental aspects (water discharges, production of scrap and waste).



ITALIAN TANNING PRODUCTION BY ANIMAL TYPE

/ Figure 5



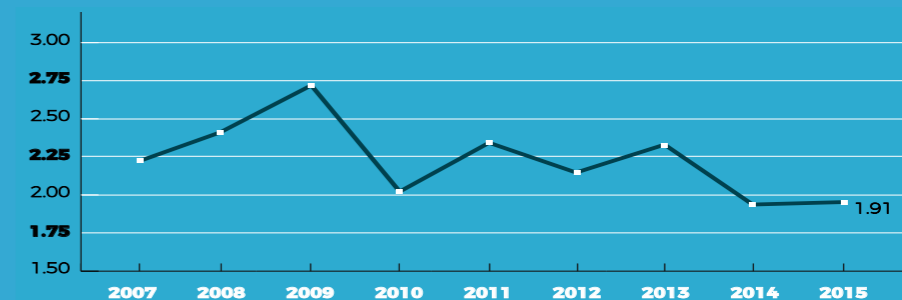
2.2 INPUT: CONSUMPTION OF RESOURCES

The transformation of hides from the raw/semifinished phase to the finished product involves the use of raw materials (skins), chemicals and resources: water (through pumping of groundwater and mains distribution) and energy.

Overall, data relating to consumption indicators per unit of production (square metre of leather produced) show, compared to 2014, improved performance in terms of water consumption (-1.9%), substantial stability in the use of chemical auxiliaries (+0.9%) and an increase in energy consumption (+8.1%).



CONSUMPTION OF CHEMICALS PER PRODUCT UNIT [Kg/m²]



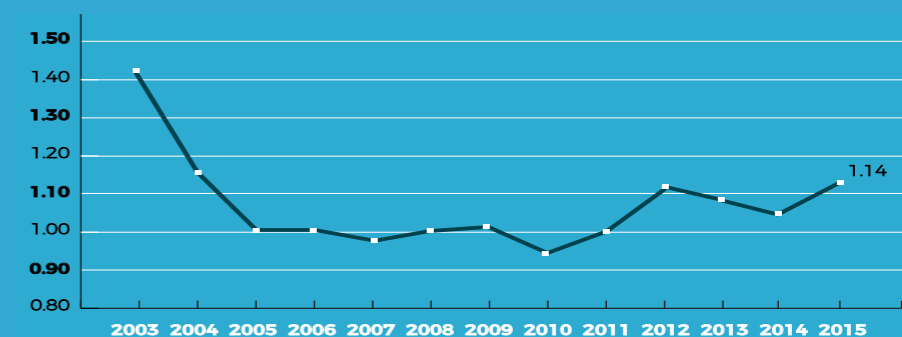
/ Figure 6

WATER CONSUMPTION PER PRODUCT UNIT [l/m²]



/ Figure 7

ENERGY CONSUMPTION PER PRODUCT UNIT [TEP/1000 m²]



/ Figure 8

The latter figure is derived from the increase in the incidence of fixed costs and reduced process efficiency, both correlated with the fall in production volumes, in addition to the scope of the sample database.

In fact, in 2015, in line with the trend that started already some years ago, the sector increased both structural and technological investment with the aim of implementing energy efficiency, as documented by the INDECO Project that ended in April and the installation of co-generation systems put into operation in various production complexes.

The set of measures implemented in order to achieve greater efficiency in the use of the heat produced are complemented by: energy diagnoses to measure strong points and possible areas for improvement, replacement of existing plants with others featuring greater efficiency and reduced environmental impact.

COGENERATION

In a production process such as tanning, which uses electrical and thermal energy in virtually equal measure (in 2015: 50.5% and 48.6% respectively), a cogeneration plant brings considerable benefits, by making maximum use of all the energy produced (electrical and thermal) as well as reducing waste.

In particular, it is precisely the efficient use of thermal energy that improves the performance of those production processes which require steam and hot water, due to the exchangers and smoke heat recovery, with advantages also for the company's bottom line.

IND-ECO PROJECT

April 2015 saw the conclusion of the IND-ECO project "Industry Alliance for reducing energy consumption and CO² emissions", co-financed by the European Commission as part of the "Intelligent Energy Europe" programme, whose aim is to identify and promote energy efficiency in tanneries and the leather industry, with a particular focus on the footwear sector.

During the three years of the project, a number of detailed assessments and audits were carried out, sector benchmarks defined, technical and technological solutions evaluated, and potential economic-financial tools explored to facilitate investment. 26 investment plans were set up by Italian tanneries.

RESULTS OF INVESTMENT PLANS THAT WERE REALISED BY ITALIAN TANNERIES

energy saving

25.312

Million kWh

reduction of CO₂ emissions

7,227

Tons of CO₂ equivalent



CONTINUOUS MONITORING OF CONSUMPTION

The continuous monitoring of consumption and atmospheric emissions is a practice that is becoming increasingly important in the context of industrial plant management, for the purposes of improving environmental performance.

It is for this reason that the tanning industry has also implemented monitoring systems, which often also include energy saving and emission reduction data, especially for monitoring particularly large plants (e.g. cogenerator).

The monitoring results are regularly communicated to tannery visitors and staff through displays inside (and sometimes outside) the business premises, with a view of providing transparency and motivation.



2.3 OUTPUT: DISCHARGES, EMISSIONS AND WASTE

The processing and transformation processes have an impact not only on the consumption of resources but also on specific environmental factors, such as atmosphere (emissions), water (wastewater discharges), land/local area (waste production).

WATER DISCHARGES

As illustrated in the quantitative cost incidence analysis (fig. 1), water discharges are overall the most significant item, representing more than 60% of total environmental costs.

In fact, a large part of the tanning process is carried out in water, which generate high volumes of wastewater to be purified before entering the environment.

Almost all the companies located in the districts convey their own wastewater to consortia treatment plants, often carrying out one or more pre-treatments on site designed to eliminate coarse waste and, in certain cases (if a separate pipe system is available for conveying calcination waste) to recover certain baths.

During 2015, the purification process carried out in the three main tanning districts (plants of: Acque del Chiampo and Medio Chiampo in Veneto, Consorzio Cuoio Depur and Consorzio Acquarno in Tuscany, Cogei in Campania) maintained high abatement yields, on average more than 95% for all the main parameters (COD, suspended solids, total nitrogen, chrome). The only exceptions are chlorides and sulphates, non-degradable nor separable, only a limited portion of which the plants manage to abate (about 30% of chlorides and 25% of sulphates). The only solution for these parameters is reduction at source, for example through the mechanical elimination of salt from the hides, use of fresh hides or use of chemical products with a low salt and additive content.

Water discharges - Reduction of pollutants in wastewater (mean value of the consortia treatment plants)

COD -97.4%	Tot Nitrogen -96.0%
Suspended Solids -99.2%	Chrome III -99.2%

EMISSIONS INTO THE AIR

Tannery production generates emissions into the air both from the hide transformation processes and from the secondary energy production processes.

The emissions generated are highly dependent on the process parameters, technologies and chemical auxiliaries used and, not least, the type of product, particularly its intended use, which significantly affects the emission of volatile organic compounds (VOC) most of all. Collection systems, filters and abatement systems allow polluting emissions to be minimised thus meeting the authorization parameters.

The impact indicators considered for 2015 were the two most significant items: solvents and greenhouse gas emissions. The latter, expressed as CO₂ equivalent, were calculated based on energy consumption, taking into account both direct (consumption of: gas, diesel and other fuels) and indirect contributors (consumption of electrical energy generated off-site).

Atmospheric emissions – Significant parameters 2015

VOC emission factor: 65.9 g/m₂ (-7% compared to 2014)
Greenhouse emissions: 1.7 kg CO₂ eq/m² finished leather

Both parameters confirm the good performance of the companies taken into consideration as sample. It should be noted that the greenhouse emissions of the companies taking part in the report are to some extent lower (-41%) than the benchmark for European tanneries calculated by the INDECO project (2.7 kg CO₂ equivalent/m²), also due to the measures implemented for the purposes of achieving greater energy efficiency.

WASTE AND SCRAP

Waste production is the second item in the tanning industry’s environmental report. Just as with the other environmental aspects, waste and scrap (i.e. trimming, fleshing) production is also significantly affected by the type of process carried out in the tannery, in quantitative as well as qualitative terms.

The presence of companies specialising in scrap recovery and treatment in the districts affects the destination of scrap (recovery or disposal) as well as the potential for exploiting production scrap as a secondary raw material, transforming it into a new resource.

In particular, for companies which process raw hides, a major part of the organic waste (45% of total processing waste generated) is exploited as Animal By-Products (ABP), contributing significantly to the reduction of annual waste generated per unit of production.

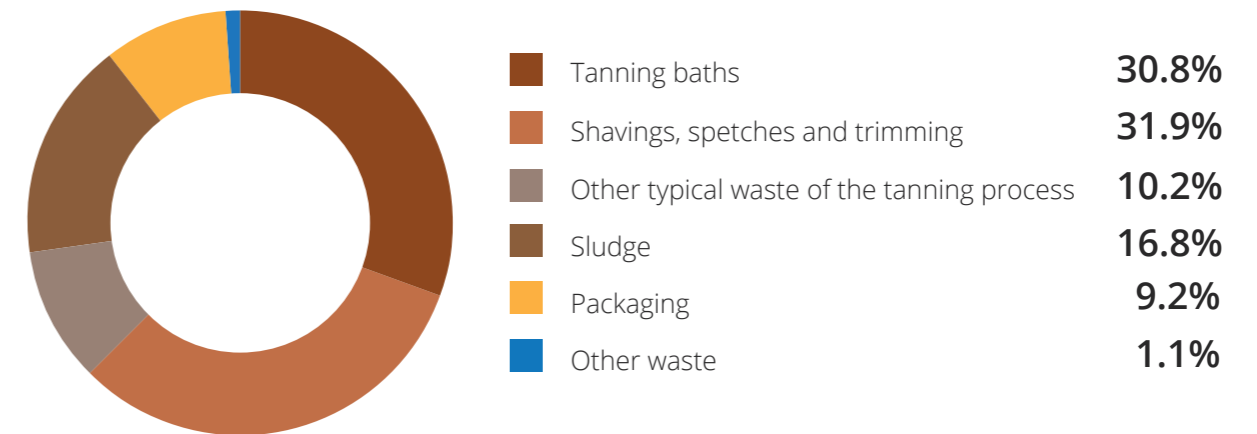


Waste – Significant parameters 2015

2.3% *hazardous waste (contaminated packaging or waste from service activities)*
75.0% *waste designated for recovery*
1.25 Kg *of waste/m² of leather produced*
1.02 Kg *of leather produced*

The analysis of the type of waste generated shows a predominance of waste typical of the tanning process such as: fragments and cuts (shavings, grindings and trimmings), tanning baths (used to recover chrome salts), sludge (resulting from the refinishing processes, tank cleaning and wastewater pre-treatment/treatment) and other specific industry waste (disposed fleshings, salt, absorbent materials, etc.), in addition to packaging and waste from service and maintenance activities.

The composition of waste 2015: breakdown by type / Figure 9



2.4 LEATHER LIFE CYCLE ASSESSMENT

The LCA (Life Cycle Assessment) methodology is, to date, the most complete method of analysing and assessing a product's potential impact, since it considers not only the direct production process, but also the impact arising from each element contributing to the definition of the product "system". This therefore includes the impact associated with raw materials, technologies, logistics, use/maintenance and end of life, to quote just a few examples.

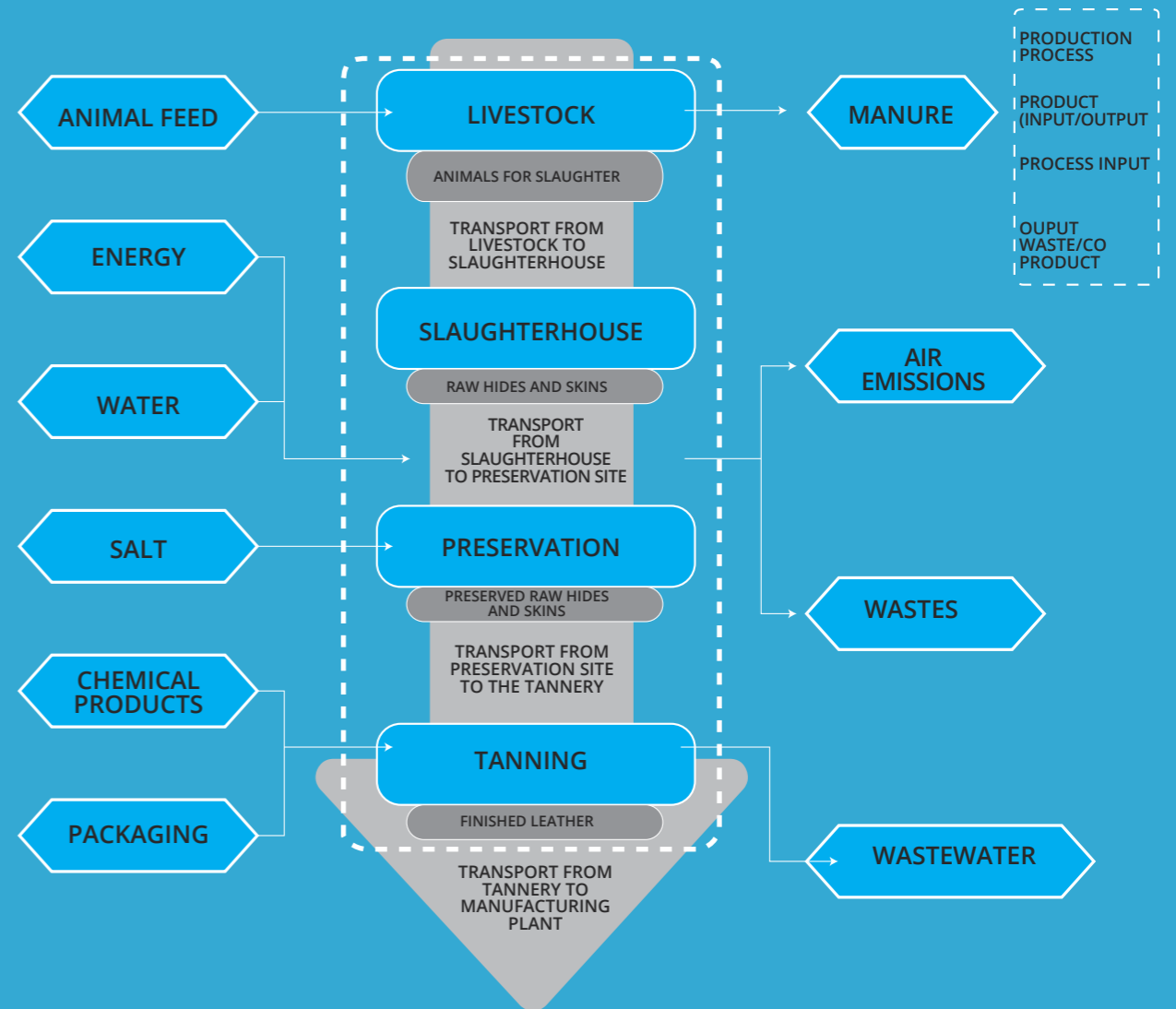
- It is for this reason that the Italian tanning industry is taking part, under the guidance of UNIC and COTANCE, in the pilot phase of the *Single Market for Green Products* (SMfGP) European initiative, which will be concluded in December 2016, for the definition of the Product Environmental Footprint Category Rules (PEFCR), in other words the rules for calculating the environmental footprint of leather.

The pilot has numerous targets which the European Commission will use to develop a tool for calculating the environmental footprint of leather. This tool will be available free of charge to all businesses in the tanning sector, in recognition of the work carried out:

- Completion of the Screening Study for ascertaining the practicality of the PEFCR based on data gathered in 32 Italian tanneries;
- Approval of the PEFCR draft and the Screening Study by the Technical Advisory Board (TAB) and Steering Committee (SC) appointed by the European Commission;
- Completion of Supporting Studies for further verification of the practicality of the PEFCR through their first applications in individual enterprises (involving Italian, Scottish and Spanish tanneries).

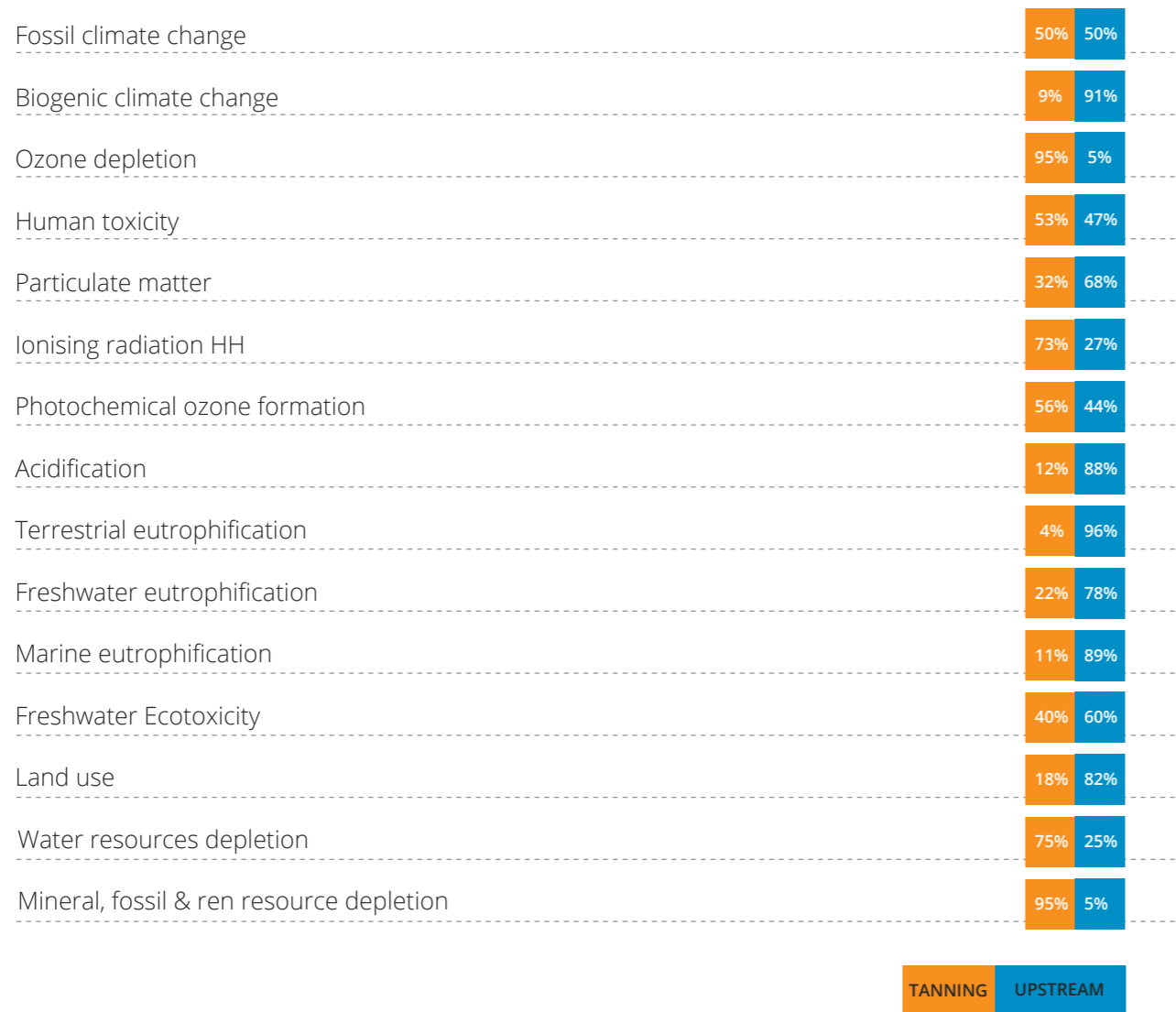


SYSTEM BOUNDARIES AND ORIGIN OF THE LEATHER ENVIRONMENTAL / Figure 10



A significant figure emerging from the study is the significant contribution, albeit different for the various indicators, of the allocation to leather of the environmental impact of the supply chain upstream (rearing and slaughter), which accounts for more than half the environmental impact attributable to 1 m² of finished leather (see graph pag. 38).

LIFE CYCLE RELEVANT INDICATORS



Numerous indicators exist that contribute to the global assessment of the product's environmental footprint. Each one is, however, expressed in different measurement units, which are difficult to compare.

For this reason, the data gathered have been rendered comparable by means of characterisation factors and aggregates within the different environmental impact categories.

For the purposes of an accurate analysis and assessment of the results, it is however essential to take account of a number of important limitations that lead to an overestimate of certain indicators such as, first and foremost:

In primis:

- *Approximations of the calculation software;*
- *Data relating to the phases upstream of the tanning process which are often incomplete, particularly for the chemical products (absence of primary data or data from commercial databases, lack of information on composition, active substances and provenance) and some types of rearing (sheep and goats);*
- *Complexity in determining the advantages derived from recycling, recovery and exploitation of waste and secondary raw materials.*

2.5 ICEC ENVIRONMENTAL CERTIFICATION

The environment plays a central and indisputable role in the current market context. The goal of a company that adopts an environmental certification is to improve the eco-compatibility of its own products and processes.

There are various certifications issued according to recognised standards that are recognized at international level, and at system (e.g. ISO 14001, EMAS) and product level (e.g. UNI 11427), which companies can adopt to communicate the environmental performance of their organisation and/or products.

There is also a growing interest in the life cycle of products (LCA) and related environmental footprint (e.g. carbon/water footprint), in relation to which voluntary standards or Regulations are in the process of being defined.



Certificazione UNI EN ISO 14001

"Environmental Management Systems"

ICEC Accreditation Accredia nr. 019 D

The certified company's management system is adequate for keeping the environmental impact of its activities under control and is systematically improved in a consistent, efficient and sustainable way.



Convalida EMAS REG. 1221/09

"Eco-management and auditing system"

ICEC Accreditation Ecolabel-Ecoaudit
Commission nr. IT-V-0016

EMAS is mainly focused on improving the environment and offering to the market, control authorities and citizens a useful tool to be informed about a company's environmental performance, i.e. the Environmental Declaration



Product Certification

UNI 11427 - eco-leather

The environmental criteria and functional characteristic of eco-friendly leather are being standardized at a national level. In particular, this standard fixes the minimum requirements to be met to obtain the eco-leather logo.

COMPANIES WITH ICEC ENVIRONMENTAL CERTIFICATION*

3C Lavorazione Pelli S.r.l.
B.C.N. Concerie S.p.A.
Bonaudo S.p.A.
Bonistalli & Stefanelli S.p.A.
Camaleonte S.p.A.
Carisma S.p.A.
Chiorino Technology S.p.A. con Socio Unico
Conceria Antiba S.p.A.
Conceria Caravaggio S.r.l.
Conceria D.S. David System S.r.l.
Conceria Gaiera Giovanni S.p.A.
Conceria Incas S.p.A.
Conceria Italiana S.r.l.
Conceria La Veneta S.p.A.
Conceria Laba S.r.l.
Conceria Lloyd S.p.A.

I.C.A. Industria Conciaria Arzignanese S.r.l.
Izzo Pelli S.r.l.
La Timor S.r.l.
Lo Stivale S.r.l.
Masoni Industria Conciaria S.p.A.
Rivadavia Industria Conciaria S.r.l.
Russo di Casandrino S.p.A.
Sanlorenzo S.p.A.
Sciarada Industria Conciaria S.p.A.
Tonilab 25 S.r.l.
Vesta Corporation S.p.A.
Victoria S.r.l.

Conceria Montebello S.p.A.
Conceria Pegaso S.p.A.
Conceria Prima S.r.l.
Conceria Settebello S.p.A.
Conceria Zabri S.p.A.
Dean S.p.A. Industria Conciaria pelli
Deviconcia di De Vita Giuseppe & C. S.n.c.
DMD Solofra S.p.A.
Dolmen S.p.A.
Effegi S.r.l.
Ellegi Pellami S.p.A.
Fratelli Guarino di Donato S.n.c.
Gruppo Mastrotto S.p.A.

Third parts

Gio' S.r.l. Lavorazione Pellami



*Updated to October 2016

ETHICAL ISSUES

3.1 PRODUCT CHEMICAL SAFETY

The quality of Italian leather is recognised worldwide and is unrivalled in terms of appearance, performance and fashion aspects, but, above all, it guarantees consumers the highest safety standards, required by European and domestic legislation that is constantly applied and controlled.



Italian leather is hence a safe product, conforming to regulations governing the marketing of goods and is produced by means of high-performance processes to reduce the use of substances harmful to health and the environment.

The procurement of REACH registered and controlled substances, which is mandatory within Europe, should in itself suffice to guarantee that Italian production also complies with the requirements of the main export markets; additionally, Italian tanneries carry out a number of checks on the finished product in order to

further ensure that chemicals are handled correctly during processing.

The collaboration with fashion house customers, who often pursue more restrictive objectives than mere legal limitations, has increased the need to focus attention on supplies. Close collaboration with all the industry's representatives, among others, is an essential step for jointly defining the minimum requirements applicable to leather and for developing good practice and guidelines on specific issues.

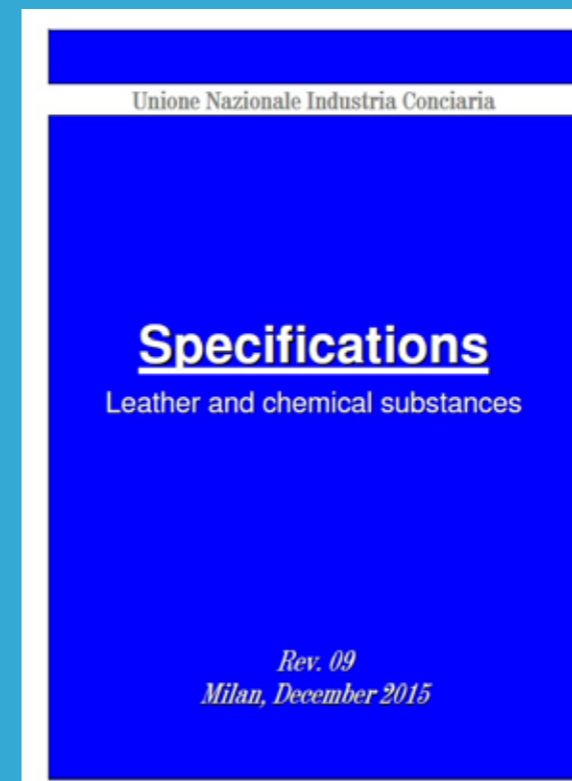
Sample management, analysis reliability, development and validation of test methods applicable to leather, verification of test laboratory performance are the topics on which suppliers, tanneries and customers, particularly the domestic and international fashion brands, are working in close partnership (see CLEAR and CNMI Guideline Initiatives).

UNIC SPECIFICATIONS

The list of restricted substances in hides, which in the Nineties was limited to just 4 parameters (Chrome VI, banned aromatic amines, formaldehyde and pentachlorophenol), primarily requested by German shoe factories, has gradually expanded over time and surged with the entry into force of REACH and the identification of SVHC (Substances of Very High Concern).

To support its members in the best possible way, UNIC publishes, at six-monthly intervals, (at the same time when the SVHC list is periodically updated) its own Specifications, a compendium of the main restrictions on the content of chemical substances affecting leather. This contains the main international regulatory references applicable to the leather matrix, also in relation to the type of processing undergone: dyed or non-dyed vegetable tanned leather, unfinished leather including aniline leather, finished leather.

UNIC has set up a service monitoring international chemical legislation and the specifications are available for consultation free of charge on the UNIC website.



CUSTOMER SPECIFICATIONS

Over the years, increasing attention has been paid to the possible presence of restricted chemicals in leather, which has grown exponentially since 2008, the year when the first SVHC list was published.

This has given resulted in a proliferation of substances that are banned or have restricted content (RSL or Specifications), which may vary by type, maximum admissible concentration, test method, pertinence to the leather matrix, rather than to the coverings alone.

All this has created a huge amount of confusion, but above all concern in the sector, which has taken steps to provide customers with suitable information.

To support its members, UNIC has set up a service for assessing the specifications (chemical, ethical-social, contractual aspects) which is available for consultation upon request (servizio.capitolati@unic.it). In 2015 alone UNIC inspected and commented on 119 different company standards, totalling about 300 consultations.

THE TANNERY LABORATORIES

The industry's focus on assuring product quality to protect customers and consumers is illustrated by the fact that over time tanneries have both upgraded the checks carried out by external laboratories, with an increasingly greater diversification of the chemical analytes to be identified in leather, and established and, in some cases, expanded and renewed, the internal quality control laboratory.

In the main, laboratories carry out checks on the physical and colour fastness characteristics, monitor the production processing and verify the performance of new samples.

In some outstandingly cutting-edge companies, these are accompanied by chemical analyses on certain parameters to verify compliance with REACH and other standards.

Some internal laboratories have obtained the ACCREDIA accreditation, and their reliability is also recognised by customers that often use them on an outsourcing

CLeAR PROJECT (CONFIDENCE IN LEATHER ANALYSIS RESULTS)



How can an analytical result be managed so that it is acceptable both to the customer and the supplier?

As the way in which the analysis is conducted affects the result, how can disputes be resolved?

To respond to these and other questions and provide the entire industry with greater assurances, UNIC has set up CLeAR, a working group whose aim is to establish common criteria between tanneries and customers aimed at resolving critical issues relating to the management of chemicals in leather.

To date the project involves tanneries, Italian and foreign brands, industry experts and CNMI. The dialogue could be extended to other entities in the supply chain at a later stage.

The CLeAR project backs up the Guidelines for Sustainability with the National Chamber for Italian Fashion, which UNIC has endorsed subject to an assurance that laboratory results and performance are continually monitored, in order to reduce as far as possible the margins for analytical error due to the complexity of the leather matrix.



ZDHC PROJECT (ZERO DISCHARGE OF HAZARDOUS CHEMICALS)

To prove the industry's sensitivity and commitment to the sustainability of the entire supply chain, from October 2016 UNIC has become a member of ZDHC, an initiative set up in 2011 primarily in response to Greenpeace's Detox campaign.

Consisting of 22 (Adidas, Benetton, Burberry, C&A, Coop, Esprit, F&F, G-Star Raw, Gap Inc., H&M, Inditex, Jack Wolfskin, Kering, L Brands, Levi Strauss & Co., Li-Ning, Marks&Spencer, New Balance, Nike, Primark, Puma, PVH), affiliates such as the TUV (Independent certification and inspection Body) and members such as BSI (British Standards Institution), its aim is to eliminate certain classes of hazardous substances from the textile and footwear production chains.

In fact, by 31 December 2019, 11 chemical families (alkyl phenols, chlorobenzenes and chlorotoluenes, chlorophenols, banned azo colorants, carcinogenic colorants, short chain chlorinated paraffins, brominated flame retardants, ethylene glycols, halogenated solvents, organostannic compounds, aromatic polycyclic hydrocarbons, PFCs, phthalates, heavy metals and VOCs) should be gradually reduced and eliminated from the textile and footwear industries.

UNIC takes part in the working groups planned by the programme (MRSL, wastewater control, training, data management and confidentiality, development of audit protocols for producers of manufactured goods and chemical products for research) in order to provide its expertise and experience and support the footwear supply chain industries.

3.2 TRACEABILITY

Italian tanneries are highly committed to achieving high standards in terms of raw material traceability. The goal is to provide guarantees on product ethics through the monitoring of raw hide origin.

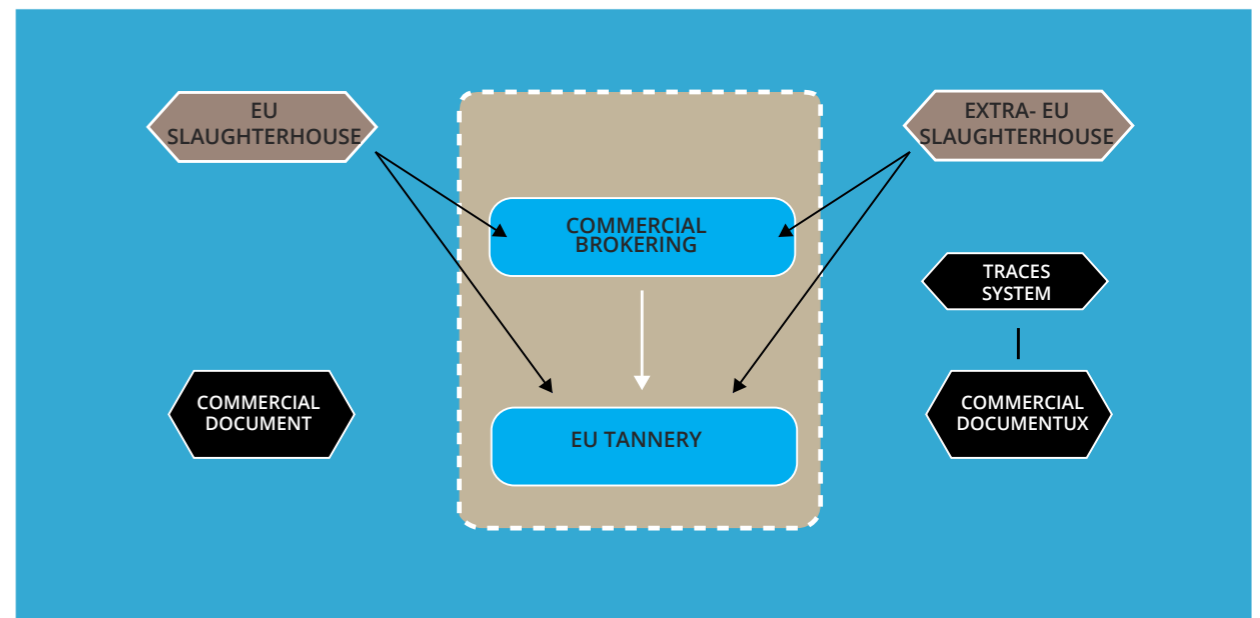
Despite the numerous critical factors, the sector has adopted a traceability system, available in the market for animal by-product control purposes, which is used in Europe to identify the entity and location where slaughter took place, by means of commercial documents for European hides and health certificates for hides from outside the EU (Traces system).

Obtaining additional information is, however, complex from an operational standpoint. There is no system of cogent standards, in Europe and the rest of the world, that requires operators to maintain a tracing system for identifying animal slaughter, breeding and origin for each individual raw hide (in contrast with what happens for meat).

Even Europe, which is the area from where more than 80% of the raw hide used by Italian tanneries originates, provides limited information. This is exacerbated by technical barriers to implementation, due to a lack of tested and fail-safe methods, which can provide assurance about the individual hide's identification without damaging its quality or quantity, and commercial problems. The various dynamics governing supply and demand, with the consequent pressures on prices, the existence of numerous intermediaries in the leather industry and the high level of movement of live animals between countries hinder the collection of sensible information.

The protectionist raw hide policy adopted by many of the main raw material suppliers outside Europe also results in the use of semi-finished leather, creating further complications.

The Italian tanning industry is trying to raise the supply chain's awareness of the importance of sharing information on what happens upstream and of finding a technical solution to the problems of conveying such information. In this regard, for example, there are an increasingly widespread number of voluntary initiatives, such as specific certifications for providing further guarantees to customers (see 3.8).



/ Figure 11

*TRACES (TRAdE Control and Export System) is an IT management tool aimed to advise, certify and control the EU import/export of animals and products of animal origin, including hides and skins. The TRACES-Import system assures the traceability of the origin of hides/skins by certificates of import from extra-EU Countries granted by authorities in charge.

EXOTIC SKINS

Italy is one of the most important consumer market for reptile skins. Although this is a niche market within the landscape of the vast domestic tanning sector, this segment, which generates an annual turnover of €100 million, consists of about ten tanneries (and as many dealers), global leaders in terms of quality, skin value and commitment to sustainability and traceability, as proven by the strong synergy with the major luxury brands.

The common focus on responsible access to reptile skins has always seen UNIC committed proactively to the CITES* and RESP** initiatives. Adopted under the UN umbrella, CITES has for more than forty years regulated the marketing of more than 30,000 species of endangered animals and plants through a system of licenses and certificates. For crocodiles, trading in these skins mandatorily requires, in addition to the



import, export and re-export licenses, also a plastic label with a unique identification code to be affixed to the material.

Another system reserved for python skins is currently being developed with the same identification and control objective. Since 2014 UNIC has been a member of RESP, a sustainability working group that brings together reptile tanneries and luxury brands, and has distinguished itself for the quality of its contribution and well as that of the sector tanneries to the work of said platform.

This involvement has allowed direct dialogue with the most important international labels, engaging in a joint effort to develop a unanimous approach on a number of key sustainability issues, including traceability and animal welfare. The focus on traceability has led to the trial of a project for identifying skins with biometric technologies and mobile reading devices. Furthermore, a protocol for improving existing practices has recently been defined for animal welfare.

**Convention on International Trade in Endangered Species of Wild Fauna and Flora, also identified as "Washington convention"*

***The Responsible Ecosystem Sourcing Platform*

3.3 ANIMAL WELFARE

The tanning sector keenly believes in the importance of ensuring that those animals entering the production chain have a satisfactory welfare level during all phases of their life.

This belief has led us to produce a manifesto for animal welfare that encourages all countries to comply with the international guidelines and more restrictive regulations currently implemented only in certain areas of the world. We have shared the manifesto with the ICT (International Council of Tanners) and the GLCC (committee that includes the ICT and world representatives of tanning chemicals and raw hide traders), which have adopted it officially.

The key international organisations for animal welfare are the FAO (Food and Agricultural Organisation, 194 member countries), which operates as a point for research, collection and exchange of information on regulations and customs, and the OIE (the world organisation for animal health, 180 member countries), which has established specific standards for transport and slaughter.

Furthermore, many countries have introduced laws, guidelines, protocols and codes of conduct to regulate rearing, transport and slaughter conditions. The EU has adopted the most extensive, stringent and controlled system (Dir. 93/119, Dir. 95/29, Reg. 1255/97, Dir. 98/58, Reg. 882/04, Reg. 1/05, Reg. 1099/09...), but regulations are also stringent in Australia, New Zealand, USA, Switzerland, Brazil, India and China.

In addition to health-sanitary regulations, the prime purpose of which is consumer protection, the most common animal welfare requirements include medical controls and records, suitable environmental conditions (space, light, air, temperature) for the animal during rearing or transport, healthy and sufficient food and a ban on prodding, beating and maltreatment.

Although not aimed directly at leather market regulation, these standards have a diversified impact on our industry. The benefits are evident in terms of the better quality of the skin of the animals, which are guaranteed satisfactory welfare conditions, but the impact that such good practice has in terms of higher cost is equally important.

A cost that is added to the other costs linked to the product sustainability assurances, but which Italian tanners consider to be an investment for achieving the quality demanded by their top customers.

MANIFESTO FOR ANIMAL WELFARE

The Italian tanning industry supports:

- Healthy and controlled **breeding conditions**, such as to avoid or minimize suffering, pain or injury to the animals. Buildings must be kept clean, and under proper conditions of temperature, air humidity and circulation, noise and light. All animals, even if tethered or confined, must be given the appropriate space for movement, without risk of injury or fall. All animals must be fed a wholesome diet suitable for the species, at opportune intervals and in sufficient quantity. Cruelty, violence or unjustified abuse to animals must be avoided. All animals must dispose of proper care in case of injury or disease.
- **Safe Conditions** during transfer/transport. Sufficient floor area and height in the means of transport is provided to animals. Water, feed and rest are guaranteed to the animals, appropriate to the species and the intended journey. Journey must be carried out as rapidly as possible and without unjustified delay. Unloading procedures must minimize the risk of injury, slipping or stroke among animals; the transfer to assembly centres must guarantee the same conditions..

- **Killing Conditions** such as to minimize pain and distress. Animals must receive comfort by being kept clean, properly fed and by being prevented from injury and distress. Killing must be carried out exclusively after the restraint and stunning (except for particular methods prescribed by religious rites), which shall be maintained until the death of the animal. Restraint and stunning procedures must minimize suffering and ensure compliance with current legislation.



3.4 TRANSPARENCY, “MADE IN” AND ORIGIN OF LEATHER

What is meant by country of origin when talking about leather? What does transparency mean? Consumers, who are increasingly more and more sustainability- aware, want answer to these questions but more often than not they are faced with information that is unclear or even misleading.

What is meant by country of origin when talking about leather? What does transparency mean? Consumers, who are increasingly more and more sustainability- aware, want answer to these questions but more often than not they are faced with information that is unclear or even misleading.

This, combined with an awareness that the “made in Italy” is now one of the top brands recognised worldwide, has shifted the dialogue toward social responsibility, the minimisation of environmental impact and product ethics, factors which are also closely linked to the country of manufacture.

Hence, the sector strongly supports the importance of true transparency in the manufactured consumer goods market and of providing consumers with reliable information on the leathers used in the manufacturing process. This represents, both from the aesthetic and economic standpoint, a basic component in determining their intrinsic value and a key element in assessing the product’s sustainability.

3.5 ITALIAN TANNERS AND INTERNATIONAL COOPERATION

The Italian industry’s technological, qualitative and commercial supremacy places it right at the centre of the world tanning scene.

This role takes the form of a number of commercial relationships and partnerships enjoyed by Italian tanners with suppliers, customers and partners all over the world.

On the commercial front, it is worth reporting how every year Italian companies buy and sell hides in more than 120 countries, from Albania to Zimbabwe, stretching over the four main continents and representing a positive example of globalisation.

There are also numerous examples of domestic tanners with industrial cooperation arrangements with foreign operators, at times accompanied also by investments in loco. In this sense, circumstances vary substantially, the only common factor being that this type of strategy is almost always driven by the raw material, 90% of the sector’s overall demand of which is met by imports.

UNIC has always supported the internationalisation of Italian tanning. As well as the work carried out in the main international organisations representing the sector, such as Cotance (chaired by Italy in the two-year period 2012-2014 and with Italy as vice-chair in 2016-2018) at European level and ICT (chaired by Italy in 2014-2016) at world level, and in the numerous supranational working groups dedicated to specific technical aspects (CEN, ISO, ZDHC, RESP, GLCC, etc.), the association has in recent years developed contacts with business representatives from industry sectors in many different countries, with which cooperation projects have been developed in the technical field (improvement of raw



material quality, transfer of know-how, sharing of sustainability applications, fashion trends, etc.) and in the commercial field (b2b meetings, missions, roadshows, etc.). Some of these projects have also benefited from the participation and funding by international cooperation organisations (ITC, FAO, EU Commission, etc.) and foreign trade promotion institutions. In addition, every year UNIC meets, often during trade fair events, a large number of business delegations from Asia, Africa and Latin America, which are interested in getting to know the world of Italian tanning and its many premium products.

3.6 PROTECTION OF THE TERM LEATHER AND TRADEMARKS

Leather is a natural premium product, appreciated by the consumer and highly valued by manufacturers that use it in their production. The prestige that it enjoys means that it is susceptible to many imitation attempts and to as many attempts to discredit the uniqueness of its characteristics aimed at promoting the use of alternative low-cost materials.

It is only the authentic material, of animal provenance, that features a special particular weave of fibres to which the majority of its properties are attributable: flexibility, softness, strength, fitness, thermal insulation and, above all, breathability.

Italian law 1112/66 and Dir 94/11 EC (footwear labelling) state only a material with these characteristics can be defined as leather.

It is therefore the right of every buyer to ask and receive correct information and be protected against scams designed to profit from the premium quality attributed to leather through the use of ambiguous and misleading terminologies such as “eco-leather”, which try to attribute a green connotation to a petroleum derivative (non-renewable resource), exploiting animal right issues.

According to a recent position taken by the EU Commission on unfair commercial practices, this wording is officially recognised as incorrect and misleading.

The “vera pelle” and “vero cuoio” (genuine leather) trademarks also guarantee the material's authenticity, compliance with technical performance standards and the safety of the products supplied to consumers as well as the material's Italian origin.



3.7 RESEARCH SERVING THE TANNING INDUSTRY

Research is at the heart of technical and scientific development and is crucial for a sector recognised worldwide for the excellence of its product in terms of quality and performance.

UNIC promotes control, monitoring and assessment activities cognitive, as well as strategic advice, technical and scientific assistance throughout the supply chain. The association is in charge also in information, dissemination, education and training provision, including post-university, in the environmental, technological and processing field through numerous collaborations with the Politecnico di Milano, Bologna and Milan Universities, the CNR IRSA and, most of all, the tanning sector's specialist institutions, PoTeCo and SSIP.

SSIP (EXPERIMENTAL STATION LEATHER INDUSTRY)

Set up in Naples in 1885, the Institute is active, at both national and international level, in the field of industrial research (primarily chemical and technological in the tanning sector), product certification (e.g. suitability for use) and process, analysis and controls (on the product but also on wastewater, waste, processing scrap), advice during the production phase (e.g. identification of defects and definition of the solutions to be applied), training and technical standards.

POTECO (POLO TECNOLOGICO CONCIARIO)

Founded in 2001, Poteco's aim is to grow tanning enterprises through training and research activities in collaboration with universities, public research centres, service centres, local administrations, businesses, industrial and trade associations.

3.8 ICEC CERTIFICATION IN THE ECONOMIC AND PRODUCT AREA

Economic and commercial transparency, organisation, product and service quality, protection of consumer health, production origin, quality of test laboratories, traceability and animal welfare are the issues linked specifically to the certifications listed below.

Some of these have been adopted by the sector for a very long time and issued with accreditation (e.g. ISO 9001, product certifications, designated origin of leathers), whilst others have been applied more recently and are linked to development of the sustainability issue (e.g. traceability and management of chemicals). To this end, the ICEC services are diversified and comprehensive and cover company and market requirements comprehensively and with recognised standards.



Certification UNI EN ISO 9001

“Quality management systems”
ICEC Accreditation Accredia nr. 034A

The certification of a Quality Management System, which guarantees compliance with product-related requirements, is a valid tool both in ongoing product improvement and in providing quality services to the customer. Over time, costs and risk factors have declined drastically through the proper organization of operations and of production processes.



Product certification by destination sector

Footwear, leather goods, furnishings, clothing, car interiors
ICEC Accreditation Accredia nr. 034B

Certification is granted based on compliance with specific international standards for the leather industry or on the technical specifications of the party requiring certification and provides customers with information concerning a product's performance. It includes an assessment of the company's system of quality assurance and the primary standards regarding the safeguarding of consumer health and safety. Testing is conducted at accredited or otherwise qualified laboratories. The not accredited certification of “**Innovative processes**” is also available.



Certification EN 16484

“Certification of the leather production origin”
ICEC Accreditation Accredia nr. 34 B

Product standard that indicates the country where leather is produced, according to international customs regulations. In order to be recognized Italian origin, finished leather must have undergone in Italy at least retanning, fatliquoring and dyeing processes. If instead all the processes have been carried out in the same country, a “100% made in” can be issued. **The certification of Leather articles** is also available. It is granted in accordance with the rules of “Made in” in force.



Certification Technical Specifications ICEC TS SC410 / ICEC TS PC412

“Tracking of raw materials (hides&skins)”

These certifications attest the level of control that tanneries have over their suppliers, including knowledge of the countries of origin of the raw hides and skins and of the slaughterhouses and farms involved. To this end, reliable, mathematical ratings and brief assessments express the level of control over what a tannery purchases in terms of the traceability of the stages required to produce the raw material. According to standard ICEC TS 414, the certification of leather articles is also available.



Certification Technical Specifications ICEC TS 406

“Certification of laboratories for leather testing”

This approach was created for the validation of laboratories that work with leather by controlling the management of all aspects in line with the principles of quality and of the specific ISO 17025 standard, such as personnel training, the test environment, instrument management, and the preparation of test reports. These aspects are verified periodically in order to ensure the utmost reliability of the test conducted on leather, including physical, chemical and fastness tests.



Certification Technical Specifications ICEC TS 416

“REACH management as per UNIC specifications”

Operational needs and UNIC specifications provide information to companies wanting to obtain certification which concerns the restricted substances and the national limits of the leading destination markets, testing methods, and control procedures based on the type of leather article and the raw material used.

COMPANIES WITH ICEC CERTIFICATION IN THE ECONOMIC AND PRODUCT AREA*

Ausonia S.r.l.
 B.C.N. Concerie S.p.A.
 B.S.Z. S.p.A.
 Badalassi Carlo S.r.l.
 Bonaudo S.p.A.
 Bonistalli & Stefanelli S.p.A.
 Camaleonte S.p.A.
 Carisma S.p.A.
 Chiorino Technology S.p.A. con Socio Unico
 Conceria Alba S.p.A.
 Conceria Antiba S.p.A.
 Conceria Bruttomesso S.r.l.

Conceria Prima S.r.l.
 Conceria Settebello S.p.A.
 Conceria Superior S.p.A.
 Conceria Zabri S.p.A.
 Creative Leathers S.r.l.
 Dacla S.r.l.
 Dani S.p.A.
 Dean S.p.A. Industria Conciaria pelli
 Deviconcia di De Vita Giuseppe & C. S.n.c.
 DMD Solofra S.p.A.
 Dolmen S.p.A.
 Ecopell 2000 S.r.l.

Gruppo Mastrotto S.p.A.
 Gruppo Vecchia Toscana S.p.A.
 I.C.A. Industria Conciaria Arzignanese S.r.l.
 Izzo Pelli S.r.l.
 Keopell S.r.l.
 Masoni Industria Conciaria S.p.A.
 Prealpina S.r.l.
 Prodital Italia S.r.l.
 RDC Trading S.r.l.
 Rinaldi Conceria S.r.l. con Socio Unico
 Rivadavia Industria Conciaria S.r.l.

Third parts

Danubio S.r.l.
 F.Ili Stanghellini S.r.l.
 Frigorpelli S.r.l.
 Gio' S.r.l. Lavorazione Pelli
 Lovato Antonio di Lovato Gianfranco & C. s.n.c.
 Mari-pell di Ganesini Mariano

Conceria Cristina S.p.A. Unipersonale
 Conceria Cromoderma s.r.l.
 Conceria D.S. David System S.r.l.
 Conceria Emmedue S.r.l.
 Conceria Europa s.a.s. di Faggiana Agostino e Renato e C.
 Conceria Gi-Elle-Emme S.p.A.
 Conceria Incas S.p.A.
 Conceria Italia S.p.A.
 Conceria Junior S.p.A.
 Conceria La Veneta S.p.A.
 Conceria Laba S.r.l.
 Conceria Leonica S.p.A.
 Conceria Lloyd S.p.A.
 Conceria Miura S.r.l.
 Conceria Montebello S.p.A.

Effegi S.r.l.
 Faggiana Leonardo produzione e commercio pelli
 Fratelli Guarino di Donato S.n.c.

Russo di Casandrino S.p.A.
 San Marco Leathers S.r.l.
 Sanlorenzo S.p.A.
 Sarego Pelli S.p.A.
 Sciarada Industria Conciaria S.p.A.
 Tari S.p.A.
 Tonilab 25 S.r.l.
 Tuscania Industria Conciaria S.p.A.
 Vesta Corporation S.p.A.
 Victoria S.r.l.
 Vignola Nobile S.p.A.
 Volpi Concerie S.r.l.

*Updated to October 2016

THE SOCIAL SUSTAINABILITY

4.1 HUMAN RESOURCES

One of the pillars on which the Italian tanning industry's social responsibility is founded is respect and appreciation for people, strategic resources for a production activity with an ancient tradition, blending technological innovation with artisanal knowledge, who must be able to express in the best way possible their skills and talent for transforming waste into a premium material within a quality work environment.



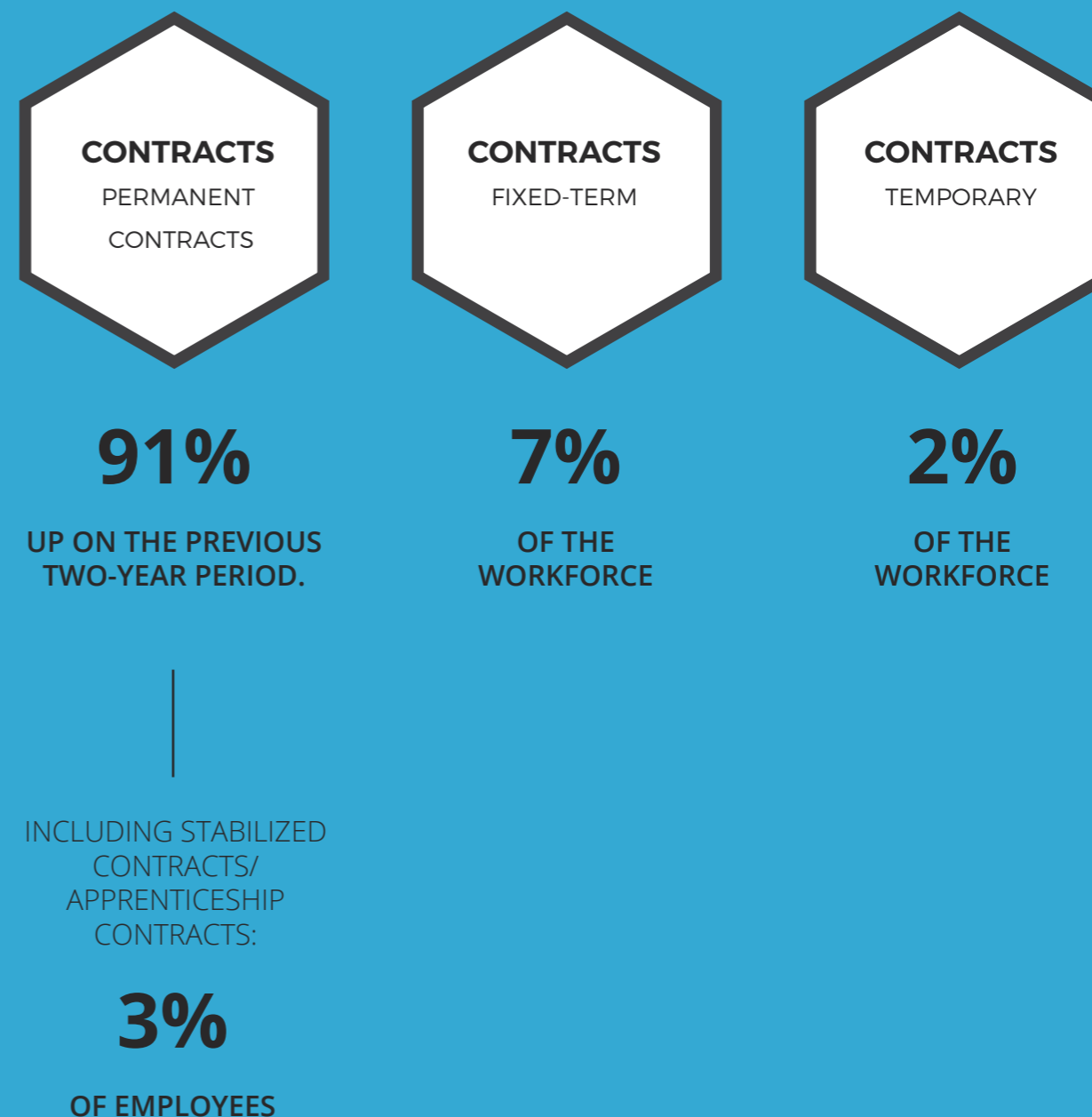
In accordance with current national and international regulations, sector companies support the importance of work as a means for growth and personal and professional development.

The organisational set up of the companies is generally stable demonstrating their commitment to developing and creating solid employment relationships with their workers; in fact, the permanent employment contract is the form most widely used by firms in the sector.

The tanning activity is characterised by high seasonal peaks and significant market fluctuations requiring ever-increasing flexibility. Nevertheless, companies use the tools laid down by the law correctly and responsibly, particularly as regards outsources labour, which appear to be limited.

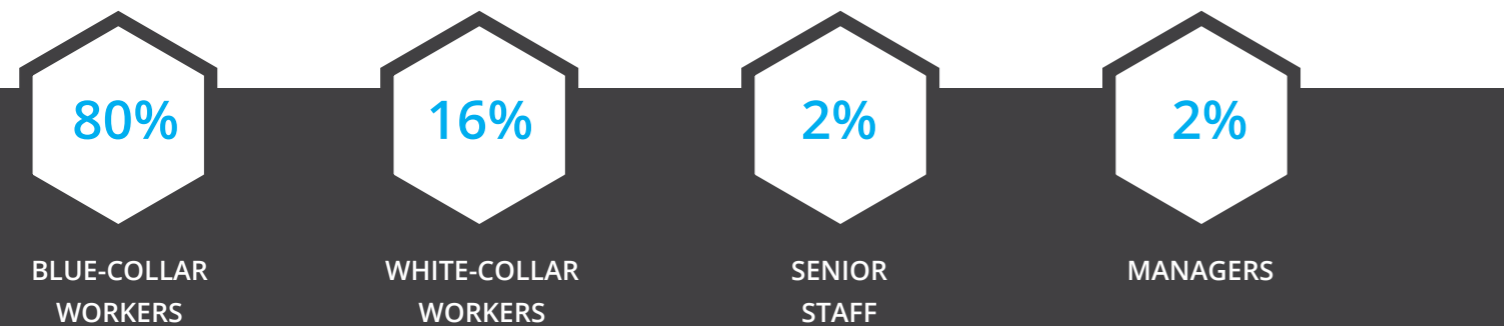
Short-term production peaks, which cannot be resolved by recruiting new staff, are managed by the use of overtime (an average of 170 hours a year per employee), in any case well below the legal limits.

TYPES OF CONTRACTS:



An employment grading analysis reveals a predominant portion of technical-operating labour, a large part of which is highly specialised and very experienced, followed by clerical staff, and intermediate or senior employees.

ORGANIZATION'S STRUCTURE 2015



There is a constant need for production staff but also a growing need for investment in skilled resources to meet the development requirements of the business. This requires advanced, and often “transversal” professional skills of a technical-creative and technical-managerial type, suitable for a highly internationalised sector linked to a high-end customer base.

YOUNG PEOPLE

Most of the workforce falls within s of 30-45 (40%) and 46-55 (33%) age bands. The percentage of young people under 30 (12%) and the over-55s (14%) is lower and has not changed in recent years. The sector is investing in numerous initiatives and activities (see also section 4) to encourage young people to acquire the skills required by the tanning industry and to highlight its appeal.

¹ In the age band breakdown the “young” are considered to be aged up to 29, as this is the legal limit for employment under apprenticeship contracts.

IMMIGRANTS

The tanning sector is traditionally firmly rooted in the local territory the majority of workers come from the surrounding areas. The integration of immigrant workers is, however, an important feature of the sector. Immigrants, most of whom are employed in the Veneto district, make a valuable contribution, representing 23.1% of the workforce at national level and helping to ensure the sector's future and the ongoing development of local economies.

Particular attention is paid to the needs of immigrant workers, above all regarding family reunification aspects.

GENERATIONAL EXCHANGE

Family concerns play a key role in the national economic system, representing most of the business fabric and jobs in Italy. Unfortunately, national statistics on generational exchange are alarming: fewer than half of businesses survive the first generation and even fewer reach the third, to the point where despite the difficult scenarios faced by business owners and the consequent need for proper strategies, the most difficult challenge appears to be successfully negotiating the critical moment when the owner, who represents the entity's core identity, has to “pass the baton” to his heirs.

The Italian tanning industry, consisting almost entirely of family firms, including the larger production facilities, embarked on this path calmly and in a considered manner. The altered economic context has meant that the percentage of owners' children destined to take the business forward is lower than thirty years ago.

However, it is a generation of educated youngsters, employed in the business, in many cases already in roles of responsibility, capable of gradually taking over the helm of the business and stir it in a direction of production and commercial development.

4.2 INDUSTRIAL RELATIONS

Industrial relations, which are now well-established, have a long tradition dating back to 1941, the year when the first collective labour agreement applied to tanning industry employees was signed.

The continuous renewal of agreements is a concrete reflection of the enduring ability of employers and trade union representatives to be able to reconcile opposing interests and introduce continual improvements in the area of employee rights, employment relations and sustainability. Environment, safety, training and social responsibility in the sector have become fundamental issues for those involved in the bargaining process who have reserved special sections for these issues within the National Collective labour bargain (CCNL).

Maximum commitment to workplace safety and environmental sustainability has been encouraged for some time, aimed at improving companies and workers' approach to criteria for managing problems, which are based on participation and continual improvement.

Links between schools and the production world have been encouraged. The adoption of training initiatives has been supported with the aim of motivating staff to develop their professional value, in tune with evolving economic scenarios and the need to maintain a competitive position on the market.

The tanning CCNL, which today covers 18,000 workers, represents the regulatory framework for all companies that apply it and is valid for the entire workforce. In addition to laying down minimum wage levels designed to ensure that workers' primary needs are met and that workers and their families can have a dignified existence. It also fulfils all the obligations prescribed by law and the highest international standards regarding the employment relationship and corporate social responsibility. Employment relationships are managed based on respect for workers' human rights and the full appreciation of their contribution with a view to encouraging professional development and growth.

Some companies have introduced additional benefits to the wage items fixed by the CCNL. These arise from agreements signed at company or local level, through the establishment of "result-related bonuses", which may vary depending on the results achieved by the company in the reference year. The Trade Unions have also endorsed the UNIC Code of Conduct and Social Responsibility.

This re-enacts the content of the most important international Conventions: workers' rights (ILO), social responsibility standards (SA 8000, ISO 26000), business ethics and consumer protection.

Tanneries guarantee all employees the right to participate in, organise and belong to trade union organisations, to appoint their own internal company representatives (R.S.U.) and to attend trade union meetings for which suitable areas and tools are often made available to workers. In addition to guaranteeing time off and leave entitlement for carrying out trade union duties, the appointment of Employee Safety Representatives (RLS) is also encouraged. RLS are in charge for handling environmental, health and safety matters with company management and are suitably supported with the necessary training and information.

SOCIAL DIALOGUE

European social dialogue is one of the tools for participating in defining the European Union's social policies. Social partners are engaged in discussions, consultations, negotiations and actions carried out at European level, which complement the actions taken at national level.

The tanning sector, together with the relevant trade unions, takes part in sectorial social dialogue committees, making its contribution to the consultation forums for the development and initiation of joint actions and negotiations on issues that have an impact on employment, such as:



The work of the committees translates into the adoption of binding and non-binding agreements that serve as policy and participation documents for the Commission and Council, with a view to defining regulatory provisions and instruments. It is a form of participation that the tanneries consider to be strategic for supporting the sector in all aspects concerning its labour requirements.



4.3 WORKPLACE ACCIDENTS

Safety and accident prevention in the workplace are fundamental elements of social responsibility and a daily concern for tanneries, which are working to constantly improve behaviour and develop a business culture on health and safety issues.

Staff training and education, specific measures to improve vehicles and equipment and a thorough analysis and investigation of past accidents, have allowed the Italian tanning industry to achieve important results, albeit with some indicators showing a slight deterioration in 2015 compared to the good performance logged in 2014.

Based on data supplied by INAIL, the National Institute for Insurance against Accidents at Work, 2015 actually shows an increase, albeit limited, in the number of incidents reported, offset by a reduction in the number of days lost (-6.5%), and hence a lower gravity rate.

A detailed analysis by type of incident reveals that a significant portion of accidents occur "in itinere", namely not in working conditions but during journeys to and from work, and represent more

than one fifth of the total (21.6%). Of these, 92.6% take place using transport vehicles. Adding the incidents that have occurred at work and involve vehicles (e.g. transfers) to events "in itinere" gives the percentage of total accidents as 22.2%.

Accident rates	2013	2014	2015
Frequency rates (accidents per 1000 workers)	26.2	23.6	25.4
- of which accidents "in itinere"	6.5	5.6	5.5
- of which the total involving vehicles	7.2	5.8	5.6
Gravity rate (days lost/total workers)	nd	0.74	0.70
Average duration of injuries (days)	nd	31.4	27.5
Number of accidents	615	532	568
Percentage of accidents involving women	13.5%	15.6%	15.7%
Percentage of accidents involving immigrants	41.8%	44.0%	37.9%

The type of injury features a predominance of bruises (25%) and wounds (23.5%) followed by dislocations and sprains (22.8%).

An analysis by gender and age shows that the accident trend has remained more or less stable over time, with 15.7% of accidents involving women.

Accidents by age			
Up to 29	30 to 45	46 to 55	Above 55
17.1%	36.3%	30.3%	16.4%

Incidents involving foreign workers account for 37.9% of total accidents, with recent years showing an increasing reversal of the trend, also due to the training initiatives, which continued in 2015.

The breakdown by injury type and site shows a predominance of modest cases affecting the upper limbs (39.2%). Other injuries are divided between: lower limbs (21.5%), chest and spinal column (22.4%), cranial-facial-eyes (10.6%), internal organs (0.8%), not yet determined (5.5%).

An analysis of the data relating to occupational diseases shows a substantially stable trend in percentage terms and slight disease-related variations.

In this regard it is important to state that the occupational disease data provided by INAIL are, unlike accidents, identified and attributed on a time basis taking into consideration the year the illness is defined (reported and/or recognised).

Occupational diseases	2013	2014	2015
Diseases reported	88	89	79
Diseases recognised	53	50	42

Of the total occupational diseases reported to INAIL with a suspected work-related origin, the cause-effect correlation with the work carried out is confirmed for a little over half of the cases (53.2% in 2015).

More than 70% of the cases of disease confirmed by INAIL in the past 3 years (73.8% with 31 cases) fall within the category of "Diseases of the osteomuscular system and connective tissue", followed by "diseases of the

nervous system" (16.7%), diseases of the respiratory system and diseases of the skin and subcutaneous tissue (both 4.8%).

The number of occupational diseases verified has been substantially stable for 4 years, after the growing trend recorded up to 2012. This trend over time can be attributed, rather than to worsening working conditions, to increasingly more effective diagnosis, particularly in cases of work-related neoplastic disease, which facilitates timely identification, enabling the phenomenon to be properly estimated.

One fifth of the occupational diseases recognised affect foreign workers (21.4% of the cases in 2015), which represents an increasing trend.

TANNING MACHINERY SAFETY

Leather processing presents a number of health and safety risks for workers. Some of them are related to use of machines and sector-specific technologies.

A careful risk assessment, which is an important part of sustainability of production processes, is carried out to identify and solve any critical safety issues and, where necessary, prevent, reduce or eliminate hazardous situations through protective measures, installation of safety devices and operator training.

Indirect, but nonetheless important, benefits include reduction of process cost due to production gaps.



At EU level the safety of machines is regulated by Directive n. 2006/42/CE, so called “Machine Directive”, which sets up the CE certification process for machinery in each stage, such as assembling, transportation, installation, use, maintenance and dismantling.

For the tanning machinery sector the existing international standards are prepared by the European Technical Committee TC 200 under technical coordination by Assomac, The National Association of Italian Manufacturers of Footwear, Leather goods, Tannery machines and Accessories.

CEN/TC 200 Tannery machinery safety		
Standard	Title	Field of application
UNI EN 972	Reciprocating roller machines	Fleshing machines, lime splitting machines, shaving machines, dry buffing
UNI EN 1035	Moving plate machines	Vacuum dryers
UNI EN 13112	Splitting and bandknife shearing	Splitting machine
UNI EN 13113	Roller coating machines	Roller
UNI EN 13114	Rotating process vessels (drums)	Drums

The standards are available for consultation in all National Organisation for Standardisation of EU countries.

The synergy and the cooperation between the expertise of Italian mechanical engineering companies and the tanners in Italian tanning clusters have allowed developing technological solutions aimed at increasing reliability, safety and also efficiency of the tanning production processes

Assomac has produced “Tannery engineering handbooks” for each machine, with a chapter dedicated to safety, ergonomics and maintenance.

4.4 TRAINING

Staff training, not only in-house but also with regards to the entire supply chain, has become crucially important for the leather industry, in order to ensure that personnel are kept continually up to date and qualified and in order to maintain an adequate competitive edge in what is a complex and highly globalised market.

In fact, training performs an essential role, in terms of usefulness and benefit, on two levels: for the employee, who is appreciated and qualified, and for the tannery, which has the use of motivated and competent staff, an essential tool for company growth and development and improved work quality.

In 2015, an average of 14 hours training per employee were delivered in the tanning industry. One third of the total hours (equal to 37.6%) covered topics such as health and safety in the workplace; the rest of the time covered training on sustainability-related issues (environment, social responsibility, product safety, etc.) and the implementation of management and control systems.

LINEAPELLE COURSES

Since 2002 the UNIC-LINEAPELLE group has organised training courses on various subjects linked to the world of leather.

The courses are aimed at all those working in the various sectors where leather is used in order to improve knowledge about the material and raise awareness in the choice and use of the various types.

Some courses are dedicated to retail staff so that they are able to provide end customers with more detailed information on the material's characteristics as well as guidance on the precautions and maintenance procedures to follow to preserve the leather items purchased for as long as possible.

There are also numerous courses designed for fashion schools and professional training institutes in the footwear and leather sectors.

The subject matters covered are as follows:

- | | |
|---|---|
| <p>01 The leather-making process and the characteristics of the end products</p> | <p>04 Technical standards for the leather sector and quality control</p> |
| <p>02 Finishing of leather: the special effects</p> | <p>05 Finished leather and chemicals: from applicable legislation to unlikely requirements</p> |
| <p>03 Fur: types, tanning and finishing, fur processing, regulatory aspects</p> | <p>06 Voluntary certifications in the leather sector</p> |
| | <p>07 Care and maintenance of leather items</p> |
| | <p>08 Know your leather (course for retail staff)</p> |

*Inter-company courses are held regularly in Milan at the
il LINEAPELLE LEATHER & FASHION STUDIO.*

UNIC-LINEAPELLE training also includes courses for companies and schools directly on the premises of the requesting party, both in Italy and abroad. These are customised courses, which enable specific needs to be met.

To date there have been more than 4,000 participants from fashion houses, mid-end market brands, small artisan firms, design studios, self-employed professionals, chemical producers and more than 3,500 students from fashion schools and professional training institutes.

In 2015 alone we ran approximately 60 courses with a total of 1,500 participants, including 800 from tanning customer sectors and 700 from fashion schools.

Info: lptraining@lineapelle-fair.it

LINEAPELLE LEATHER & FASHION STUDIO

A space with more than 16,000 catalogued samples, accompanied by a data sheet and identified by a code that can be used to trace the materials' identity card in real time.

Leathers, finishes, fabrics, small parts, components for the footwear, leather goods, clothing and furniture industry.

Future collections and samples of the past to assist in the research and study of materials.

A unique archive in the world, a work in progress, updated every six months with the products displayed at LINEAPELLE.

4.5 GUIDANCE AND YOUTH INITIATIVES

Investing in young people, talking together and developing their interest in the world of leather, highlighting the job opportunities that it has to offer, is one of the activities at the very heart of the tanning sector.

For years UNIC, supported by local authorities and firms, has engaged in promotional activities involving schools and teachers, with the aim of improving the industry's image and attempting to free itself of the stereotypes that, unfortunately, still affect it today, in order to entice more young people to pursue a career in the tanning industry.

AMICI PER LA PELLE

The aim of this initiative, launched in 2012, is to tell young people about the resources related to the tanning industry and to disseminate and promote the culture of leather within local communities, presenting the study and work opportunities in an enjoyable and interactive way.

The project features classroom training sessions and a visit to a tannery, and concludes with a creative challenge in which youngsters, coming into direct contact with the hides supplied by local firms, are asked to use their manual skills and imagination to create works based on the topic assigned.

At the Lineapelle event, during which the most highly rated works are awarded prizes, youngsters are also offered the opportunity to increase their knowledge of the sector by exploring its most important international trade fair.

5TH EVENT 2015

Topic assigned "The flower in art"

Aimed at students in the second and third years of middle schools in the main tanning districts (Veneto, Tuscany, Campania and Lombardy).

Schools involved 10

Classes involved 53

Participants more than 1000 students

Works: 38 works created, some inspired by great artists, others more imaginative and creative.

1st Prize "Mariella: Raggio di Sole" (Mariella: Ray of Sun)
Istituto Comprensivo M. Pironti di Montoro (AV)

2nd Prize "Un risveglio a sorpresa" (A surprise awakening)
Istituto Comprensivo C. Banti di Santa Croce sull'Arno (PI)

3rd Prize: "Mucha: L'eleganza in fiore" (Elegance in flower)
Istituto Comprensivo M. Buonarroti di Ponte a Egola – San Miniato (PI)

Special" Prize "Piazza del Campidoglio"
Istituto Comprensivo F. Guarini di Solofra (AV)



STUDENTS IN TANNERIES

The promotion of activities to motivate and support youngsters, the continuous dialogue and communication on key issues for eco-sustainable development and the special focus on the local area are very important to companies in the sector. This is confirmed by the opening up of tanneries to youngsters, which provides an important opportunity for them to get to know the local area and the commercial riches it has to offer.

Students become immersed in an educational experience and learn about all the phases of the tanning production process as well as aspects relating to safety in the workplace and the environment.



LEATHER IS MY JOB!

At European level, there is no shortage of initiatives designed to convey the appeal of working with leather and attract youngsters into the tanning sector. European Employer and trade union representatives (Cotance and Industrial) have for the second year launched the "Leather is my job!" project.

UNIC, also supported by Italian trade union representatives, will take part in programmes to communicate and share "best practice" in the role of "observer" and advisor in order to improve and develop knowledge about the employment opportunities offered by the tanning sector.

4.6 CULTURAL INITIATIVES

Building relations with the public at large and local communities is the cornerstone of industrial growth.

In fact, the positive repercussions for the entire socio-economic fabric are magnified when industrial investment is accompanied by effective synergy with the public authorities for the definition of development plans such as for example, for Tuscany, the district EMAS and the plans for the new wastewater sewer.

To date, more than 350 events have been organised, in collaboration with Lineapelle, to inform, train and update about 6000 people, whilst, as already mentioned previously, the "Amici per la pelle" competition is aimed at hundreds of lower middle school students every year to promote jobs in the tanning industry. In 2015 the panorama of initiatives was enriched with the short movie, "I came from", the story of the Italian leather's prestige from Roman times to the present.

But most of all it is "The Words of an art" research project that is helping to reveal the tanner's creativity and aesthetic sensitivity also from its past.

THE WORDS OF AN ART

2015 saw the start of research study commissioned by the Observatory for Terminology and Language Policies of the Università Cattolica in Milan, to recover leather lexicography, which has changed over the years.

The research, conducted by Maria Teresa Zanola, has been based primarily on Italian bibliographical sources combined with other French, Spanish and German sources.

The first phase of the research has produced a text in the form of a dialogue, presented at the Palazzo Vecchio in Florence on the 11th of May 2016, in which old Tuscan tanners recapture and comment on the noble traditions of their work, using the language of the job evolved over time.

This cultural strand, which was started many years ago by our association, is now following the development of our craft's language. And what is emerging is the creativity and aesthetic sensitivity of the Italian tanner.

SHORT MOVIE "I COME FROM"

In 2015 the panorama of initiatives was enriched with the short movie "I come from", which celebrates the excellence of Italian leather, starting with Roman Pompeii and ending with the present day and the distinctive nature of leather consumer goods, showcasing goods and icons that celebrate the premium quality of the Made in Italy brand worldwide.

The video was shown during Lineapelle and UNIC events, particularly abroad, as a tribute to Italy's tanning industry and its production.

STORYTELLING - WELCOME TO THE LEATHER SPACE

Since 2012 Fondazione Fiera Milano has been promoting "Exhibitionist" meetings, with the aim of acquainting not only employees but also all those who have a personal, educational or professional interest (traditional and digital communicators, creatives, designers...) with the world of exhibitions, trade fairs and business events.

The tanning industry and LINEAPELLE were the main protagonists (September 2015) of one of the meetings intended to offer continuous updates on new trends within the field of events, exhibitions, media and culture. They were asked to tell the story of how Italy's tanning industry promotes its own exhibition spaces and the solutions it adopts to engage visitors and make them truly part of an experience.

THE POMPEII TANNERY

In 2008 the Italian tanning industry contributed to the restoration of a tannery discovered in Pompeii's archaeological site.

In addition, UNIC has produced guides and publications and organised local guided tours for pupils and teachers.

The subjects covered in said publications have included A Short History of Pompeii, The Pompeii Tannery, Hides and leather in Ancient Rome.

4.7 UNIC'S CODE OF CONDUCT

The Italian tanning industry places great importance on social responsibility.

Respect for workers' rights, protecting health and safety in the workplace, consumer and environment protection are guiding principles for the sector companies that UNIC has codified in its Code of conduct and social responsibility (see Appendix), to which all associate companies can subscribe.

Based on the main international standards on the subject (SA 8000, ISO 26000), it enables the firms that adopt it to develop and pursue a correct management of corporate social responsibility issues, adopting the effective tools for communicating its driving principles and implementation to all stakeholders.

The ICEC conformity certification, issued following an on-site inspection, certifies it is being correctly implemented by those companies that use it as a reference for their ethical conduct and responsible behaviour.



4.8 ICEC CERTIFICATION IN THE ETHICAL AND SOCIAL SPHERE

In the ethical-social sphere, the UNIC Code of Social Accountability is the tool developed by the sector to ensure that corporate social responsibility issues are managed correctly and guiding principles and performance are communicated to all stakeholders.

The Code is endorsed by the industry's trade union representatives and re-enacts the main requirements of the voluntary standards applicable on the subject (SA8000 and ISO 26000). It also incorporates principles of commercial ethics, protection of the consumer and the environment.

With regards to health and safety in the workplace, the primary international standard, already applied by many tanneries and also applicable to manufacturing firms, is OHSAS 18001 (in short standard ISO 45001). This certification also provides for the check on legislative compliance applicable on such matters and is issued with Accredia accreditation.



Certification

Code of Conduct and Social
Accountability UNIC

The Code represents an essential tool to make the principles driving the company be known. The document officially identifies the values of conduct and social responsibility adopted by the company. The document is based on the principles of ISO 26.000, SA 8000, the most important international agreements (ILO) concerning the protection of workers' rights, as well as commercial ethics and social and environmental responsibility. Specific guidelines have been defined to support companies implementing the code. The certificate is granted after ICEC examination in situ.



Certification
OHSAS 18001

"Health and Safety at Work
Management Systems"

Accreditation ICEC Accredia nr. 031F

The implementation of a H&S at Work Management System helps companies identify and keep under control all risks related to health and safety in the workplace, reduce the number of possible accidents, be compliant with the legislation in force, and constantly improve corporate performances. It also translates into allowances from INAIL (Italian Institute for Insurance against Work Accidents).

COMPANIES WITH ICEC CERTIFICATION IN THE ETHICAL AND SOCIAL SPHERE*

B.C.N. Concerie S.p.A.
Bizzarro Leather S.r.l.
Camaleonte S.p.A.
Chiorino Technology S.p.A.
Conceria Antiba S.p.A.
Conceria Caravaggio S.r.l.
Conceria Incas S.p.A.
Conceria Lloyd S.p.A.
Conceria Settebello S.p.A.
Conceria Superior S.p.A.
Dolmen S.p.A.
Rivadavia Industria Conciaria S.r.l.
Russo di Casandrino S.p.A.

Sanlorenzo S.p.A.
Sciarada Industria Conciaria S.p.A.
Vesta Corporation S.p.A.
Victoria S.r.l.

*Updated to October 2016

APPENDIX

CODE OF CONDUCT AND SOCIAL RESPONSIBILITY



PREMESSA

THE COMPANY that voluntarily complies with the code of conduct and social accountability UNIC must ensure compliance with the relevant legislation in force, including the National Collective Bargaining Agreement of the tanning sector and with the requirements contained in the present document, drawn from the most important international agreements and standards concerning "social responsibility" and applied to the manufacturers and service providers of the leather sector.

The present Code is approved by the following trade unions: FILCTEM-CGIL, FEMCA-CISL, UILTEC-UIL. In order to verify that the requirements needed to obtain declarations of compliance with UNIC's Code of conduct and social responsibility are met and maintained, companies are regularly inspected by a qualified third party (ICEC) charged by UNIC thereof. Further controls are also possible to check that a company's suppliers/contractors meet the provisions prescribed for them.

For the correct interpretation of the requirements of the code refer to the document "Guidelines for the adoption and implementation of the UNIC's Code of conduct and social accountability".

HUMAN RIGHT AND WORKING CONDITIONS

Child Labour

1.1 The company must not use or support the use of infantile labour.

1.2 The company has in particular to protect employable minors from any conditions that may be dangerous, hazardous or harmful for their health and safety in the workplace, in compliance with the prescriptions of the legislation in force.

Forced Labour

2. The company shall not use or support the use of

forced labour, nor ask their staff to deposit any money or original identity documents for conducting of the employment relationship.

Discrimination

3. The company shall not discriminate upon hiring, remuneration, access to training, advancement, layoff or retirement based on sex, race, national origin, disability, religion, social status, sexual preference, union membership, political affiliation, age and any discriminatory condition.

Labour Union And Bargaining

4. The company shall respect the right of all workers to join the union of their own choice and to participate to collective bargaining.

Health And Safety On The Workplace

5.1 The company shall provide a safe and healthy workplace and will adopt appropriate measures to prevent and manage work accidents and damage to health during the performance of a job or resulting there from.

5.2 The company shall appoint a managers' representative to implement all issues guaranteeing health and safety in the workplace.

5.3 The company shall ensure that the staff receives an effective training about health and safety at work. Such training is regular, documented and repeated for any new or reassigned staff.

Working Hours

6. The company shall comply with the laws and all dispositions currently in force contained in the National Collective Labour Agreement regarding the working hours for the workers of the tanning industry and related sectors. The mean weekly hours, calculated over a reference 12-month period, shall not exceed 48 effective working hours. The staff will be guaranteed at least 24 consecutive hours' rest every 7 days.

Remuneration

7.1 The company shall guarantee that remuneration always corresponds to the standards fixed by the law and to the minimum parameters fixed in the National Collective Labour Agreement for the workers of the tanning industry and related sectors.

7.2 The company shall guarantee that the composition of remuneration and of allowances is clearly and regularly specified.

Human Resources Enhancement

8. The company shall promote the enhancement of human resources through skills development, corporate culture and employability, including through continuing training initiatives.

ENVIRONMENTAL

9. The company shall fix and maintain procedures and practices aimed at reducing the environmental impact of its activities.

INVOLVEMENT AND DEVELOPMENT OF THE COMMUNITY

10. The company needs to promote community development through dialogue and collaboration with stakeholders, also through representative associations to which he subscribes.

PROFESSIONAL BEHAVIOUR

11.1 The company shall respect the principles of transparency, fairness and good faith in its relationships with the institutions, customers, suppliers, and competitors, and avoid any unfair competitive actions likely to cause damage and violate the principles of the present code.

11.2 The company shall guarantee product quality and consumers' protection.

POLICY AND MANAGEMENT

12.1 The management must formalize a corporate policy for social responsibility so as to guarantee:

- a) the commitment to comply with the principles of the code, to maintain compliance with legislation in force and to comply with the agreements signed;
- b) the commitment to continual improvement, in particular with reference to the organizational system;

c) to be easily accessed and understood by all employees, including directors and management;
d) to be available to all stakeholders.

12.2 The company shall appoint a representative of management to ensure, independently from other responsibilities, the compliance with all requirements of the present document.

12.3 The company shall ensure that workers choose their representative to facilitate relations with the administration regarding matters of this document.

12.4 The company shall establish and maintain appropriate procedures to assess and select suppliers and contractors based on their capacity to meet the requirements of the present document and give documented evidence thereof.

12.5 The companies must establish and periodically review corporate objectives in relation to the provisions of this Code and to provide procedures for communicating the performances to all stakeholders.

12.6 The companies must ensure that all the requirements of the Code internally are understood and effectively implemented

12.7 In the case of non-compliance or pending disputes on the issues covered in this document and for their resolution the company must prove by objective evidence their adequate management through corrective actions. The company must also develop preventive actions to avoid their recurrence.

12.8 The company will keep a suitable documentation certifying compliance to the requirements of the present document.

NOTE ON METHODOLOGY

The UNIC sustainability report is now in its fourth edition: since 2012, the content of the industry's traditional environmental analysis, published annually since 2003, has expanded in order to communicate more effectively the Italian tanning industry's commitment to the sustainable growth of the entire supply chain.

The report is prepared on the basis of data supplied by member companies (in the appendix) completing a special questionnaire.

The data and information included in the document concern those parameters that have emerged as most significant from a materiality assessment that includes, for each area of sustainability, both those aspects which reflect the significant economic, social and environmental impacts of tanneries and the major projects and issues of interest for companies, institutions and consumers, with particular regard to the sustainability objectives of the value chain.

To make it easy to read the report, the indicators that best present the performance achieved by Italy's tanning industry have been reported historically; whereas the more descriptive data have been considered in detail solely for the reference year (2015).

The indicators and data reported represent the weighted average of the sample. For certain specific aspects (e.g. purification, accidents, and economic data) data and information taken from other sources has also been obtained and processed, which help to provide a more complete and in-depth view of the sector's dynamics.

The sample, the total production of which accounts for about a third of the entire sector, is composed of firms representing the industry's geographical distribution nationwide and the main types of production, so as to give a true snapshot of the sector's overall situation, which in itself is very varied in terms of: raw material, type of production, products and, last but not least, availability of local services.

More specifically, for the environment section, the data has been processed based on the business sample only. For the social section, the database has been expanded with an additional aggregate of 120 firms (77 tanneries and 43 outsourcers); this has allowed a direct comparison between those firms directly participating in the UNIC monitoring and a general benchmark for the sector.

The data collected refer to the 2015 reporting period, whilst the description includes significant news up to June 2016. In particular, a number of issues have been covered that supplement or more accurately define the operating context of the Italian tanning industry, with particular reference to the supply chain and the various initiatives in progress.

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