Swedish Tanners Association

Svenska Garveriikareförbundet

Social & Environmental Report of the Swedish Leather Industry

2010
Foreword

This report has been prepared by Swedish Tanners Association in the framework of the COTANCE-ETUF:TCL Social Sectoral Dialogue (SSD) project “Social & Environmental Reporting in the European Leather Industry” developed with the support of the European Commission – DG Social Affairs.

The information sources used were

- Member social & environmental reports
- Member information
- Swedish Environmental Protection Agency
- Confederation of Swedish Enterprises

The Swedish Leather Industry is represented by Swedish Tanners Association. All industrial Swedish tanneries are members of our association, which provides the members with appropriate information regarding global tanning and leather industry as well as updated information about environmental regulations. Our association initiates education within tanning techniques and leather manufacturing.

Swedish Tanners Association is a COTANCE Member and subscribes to the Framework Agreements adopted by COTANCE and ETUF:TCL. These include the Social Code of Conduct signed in 2000 and the Social & Environmental Reporting Standard underwritten in 2008. The latter foresees its progressive implementation at company level on a voluntary basis.
Introduction

The Swedish leather industry in 2010 is a relatively small with companies focusing on high quality and environmental awareness being considered as competitive employers in their geographic areas. Historically strict requirements on Swedish labour and environmental legislation have given Swedish companies advantages in competition regarding leather production with low environmental impact, high social responsibility, efficiency as well as high quality products.

Companies
4 companies totally 320 employees
100 % SMEs
Number of members: 4

Production
Total production 1.5 million sq.meters
furniture & automotive leather  94 %
garment and shoe leather  3 %
tooling leather         2 %
lamb and sheep dressing      1 %

<table>
<thead>
<tr>
<th>Name of company</th>
<th>City</th>
<th>Type of production</th>
</tr>
</thead>
<tbody>
<tr>
<td>Elmo Leather Sweden</td>
<td>Svenljunga</td>
<td>Automotive &amp; furniture leather</td>
</tr>
<tr>
<td>Kero Leather</td>
<td>Sattajärvi</td>
<td>Garment &amp; shoe leather</td>
</tr>
<tr>
<td>Tranås Skinnberedning</td>
<td>Tranås</td>
<td>Lamb &amp; sheep dressing</td>
</tr>
<tr>
<td>Tärnsjö Garveri</td>
<td>Tärnsjö</td>
<td>Furniture &amp; tooling leather</td>
</tr>
</tbody>
</table>

Institutional structures
Founded in 1901 Swedish Tanners Association has been working in close cooperation with the members during a century of huge challenges for the European leather industry regarding competition, techniques etc. The association provides the members with appropriate information about

- global leather industry
- adequate labour and social legislation
- market trends
- environmental legislation and requirements on national and EU levels

Swedish Tanners Association is member of COTANCE, Nordic Leather Research Council and Lederinstitut Gerberschule Reutlingen.
Environmental considerations

The use of leather goes back to prehistoric times. The hide as and skins of animals killed for their meat started being recovered and used to protect the body from adverse climate conditions. The tannery operation is converting the raw skin/hide, a highly putrescible material, into leather, a stable material. The whole process involves a sequence of complex chemical reactions and mechanical processes. Among these, tanning is the fundamental stage, which gives to leather its stability and essential character.

The leather industry has in the past been considered as a polluting industry but the Swedish tanning industry have for many years been active in reducing the environmental impact from the leather industry and is today world leader in reducing pollution from the leather manufacturing.

The Swedish industry has introduced sophisticated treatment and processing techniques in order to achieve improved competitiveness and environmental performance. By changing processes and chemicals and using best available technique (BAT), the Swedish tanners have come far in reducing its pollution. However, there will always be an environmental impact from tanning of hides and therefore it is necessary to also use end-of-pipe-solutions to minimise the environmental impact from the industrial activities. The remaining pollution after the processes is further reduced through sophisticated treatment techniques plants.

The following measures to reduce the environmental impact have been taken by Swedish tanneries:

Unharing
The unhairing process is carried out as a hair-saving unhairing. In order to reduce the environmental impact of e.g. COD and nitrogen, the hairs are removed and recovered. The hairs are normally used for agricultural purposes.

Deliming using carbon dioxide
One tannery is since some years using carbon dioxide deliming in order to reduce the nitrogen discharge from the company for the whole production. All hides are splitted after liming in order to facilitate the deliming process using carbon dioxide.

Chromium precipitation
Two tanneries out of four are using chromium precipitation (a third tannery is not using chromium in the production). In one tannery, water from the chrome tanning, summing, wet after treatments and some other waste streams are collected in a tank. The waste chrome liquors are precipitated with sodium carbonate (alkali) at a temperature of about 50-60°C. The chromium content in the water after precipitation is below 1 mg/l.
Substitution of chemicals
The Swedish tanneries are continuously replacing chemicals which may be hazardous with other more environmentally friendly chemicals. The tanneries report on a yearly basis which chemicals that are used to the authorities.

Reduction of VOC emissions to the air
The Swedish tanneries have introduced the use of water-based chemicals in the finishing operation and only water-based dyes are used.

Waste Water Treatment Plant with nitrogen removal
Elmo Leather has recently built a new waste water treatment plant in Svenljunga, Sweden using the latest technology. The plant is based on an innovative technology to remove nitrogen from wastewater from the leather industry. The plant was given a reward as Best LIFE-Environment Project in 2006-2007 since it demonstrated that it is possible to successfully reduce the nitrogen discharge in waste water from tanneries with more than 90% in a cost-effective way.

Waste management
Waste management is of high priority for the Swedish tanneries. The main priority is to reduce the amount of wastes and the companies are continuously seeking to develop new ways to dispose different types of waste. Examples of solutions used by Swedish tanneries are given below:

- Fleshings are sent to anaerobic digestion in biogas plants
- Split is sent to gelatine-manufacturing
- Shavings, trimmings are sent to energy-production
- Sludge from waste water treatment is sent to energy production

Critical process steps and chemicals
The main environmental impact from the tanning industry is the water discharge. The Swedish tanneries have made considerable efforts to reduce the environmental load. Two of the tanneries are discharging their effluent directly to the recipient after treatment in their own treatment plants, the third tannery is discharging to the municipal wastewater treatment plant after pretreatment while the fourth tannery is discharging their effluent to the municipal treatment plant.

The main environmental parameters in the waste water are organic content (BOD and COD), nitrogen and chromium (for the tanneries using chrome tanning).

The main environmental impact to the air is the emission of VOC from the finishing operations.

Examples of efforts to reduce the discharge of these compounds are given above.
The environmental report

All Swedish tanners are complying both with European and National legislation. The Swedish Government has strictly enforced all European Directives into their legislation and in some cases the environmental legislation facing the Swedish tanneries goes far beyond the European legislation (e.g. the demands on Elmo Leather regarding the emission of VOC is much stricter than the European legislation). Examples of European environmental legislation which have been implemented in Sweden are:

- Water Framework Directive
- European Waste Catalogue and Hazardous Waste list
- Solvent Emissions Directive (soon to be integrated in the new Directive on Industrial Emissions)
- Integrated Pollution Prevention and Control Directive (will in future be the Directive on industrial Emissions)
- Registration and Authorization of Chemicals Regulation

The Swedish environmental legislation has for many years been stricter than the legislation in other countries in Europe. The implementation of EU Regulations and Directives has therefore not caused any drastic changes for the leather industry since similar legislation already was in force in Sweden. All Swedish tanneries except one have environmental permits given by the regional authorities. The tannery not having a permit from the regional authorities have an environmental permit from a transnational environmental commission (“Gränsälvskommissionen”) since they are located close to the border to Finland and their environmental discharge to water streams may affect Finland.

The Swedish tanning sector consists of only four companies. All are members of the Swedish Tanners Association and the Nordic Leather Research Council. The tanneries are all producing yearly environmental reports where their environmental impact is described. The tanneries in the Nordic countries cooperate regarding environmental issues where they all have at least one yearly visit by an environmental expert for the sector (Stefan Rydin) and they also receive regular newsletters describing the latest developments regarding environmental issues. All tanneries have contributed to this report.
The environmental indicators

- Process

All tanneries in Sweden perform the full processes from raw hides and skins to finished products (leather and in one case fur skins).

- Raw materials processed

The Swedish tanners are mainly using Scandinavian hides and skins due to the high quality of this raw material. While two tanneries are mainly using bovine hides, a third tannery is processing mainly reindeer skin and the fourth (skin-dressing company) is processing sheep skins.

- Pollution abatement installations

Two of the tanneries have their own waste water treatment plant to a recipient while a third company has pretreatment before discharging to the municipal treatment plant. The forth tannery discharge their water to the municipal waste water treatment plant.

Cost related to environment

The cost for environmental issues varies to some extent but can be estimated to around 10% of the total cost for the tanneries in general

Conclusion

All tanneries are in line with the strict regulatory environmental requirements in Sweden. The Swedish tanneries have for many years been active in reducing the environmental impact from the leather production and have developed environmental policies. As a result, the Swedish tanning industry is among the cleanest worldwide. This can be demonstrated by the fact that the construction of the new waste water treatment plant at Elmo Leather was first selected for financial support by EU LIFE and then after being in operation selected as one of the best LIFE Environment projects in 2006-2007 by the European Commission.
The social report

Since the 1950’s the tanning industry has experienced a steady decline in all of the Scandinavian countries. The number of tanneries has been dramatically reduced. In Sweden there are at present only four industrial tanneries left.

One explanation for the downturn of the Scandinavian tanning industry is the gradual disappearance of domestic markets. The largest markets for the tanning industry are the labour intensive manufacturers of footwear, clothing and other leather goods. These industries have since the 1960’s moved to other countries in search of lower costs. Many tanneries closed as their traditional customers disappeared, whereas some companies turned their attention to foreign markets and special segments.

In the 1970’s and 1980’s Scandinavian tanneries got an additional disadvantage vis-à-vis their competitors. Complying with stricter environmental regulations caused large increase of production costs which was not paralleled by tanneries nor in other European countries or globally. Later on, however, this early environmental awareness has given the Swedish tanneries competitive advantages as the production processes nowadays have very low environmental impact and the companies constantly are aiming towards further improvements.

Skills in the tanning industry are to a large extent developed through learning-by-doing through years of practice. The Scandinavian countries have long traditions in tanning. Already in 1885 the Danish tanning research centre “Forsøgsstationen” was established, as the second in Europe. Today there are no longer any research institutions or tanning schools in Scandinavia. The Swedish industry co-operate with technology centre and research institutions as well as schools preferable in UK and Germany. Since beginning of the 2000’s there is a Nordic education project in place within the tanning industry. In this project employees are invited to participate in basic leather technology courses held on the tanneries with lecturer from the industry and chemical and machine suppliers. Additionally each tannery in Sweden has developed their own education programs which also include introduction courses for all new employees.

The weekly working hours have decreased in Sweden as follows:

<table>
<thead>
<tr>
<th>Hours</th>
<th>Officials 1999</th>
<th>2009</th>
<th>Workers 1999</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 36 hours</td>
<td>1,5%</td>
<td>2,0%</td>
<td>0,5%</td>
<td>0,3%</td>
</tr>
<tr>
<td>37 hours</td>
<td>2,0%</td>
<td>1,6%</td>
<td>0,0</td>
<td>0,0</td>
</tr>
<tr>
<td>38 hours</td>
<td>8,4%</td>
<td>11,0%</td>
<td>2,2%</td>
<td>2,7%</td>
</tr>
<tr>
<td>39 hours</td>
<td>13,2%</td>
<td>12,3%</td>
<td>0,1%</td>
<td>0,1%</td>
</tr>
<tr>
<td>40 hours</td>
<td>75%</td>
<td>73,2%</td>
<td>97,3%</td>
<td>96,9%</td>
</tr>
</tbody>
</table>

source: Confederation of Swedish Enterprises
Sweden in general has an unemployment rate below EU-27. During the last couple of years the unemployment rate has been about 6 %. However, during 2009 the unemployment rate rose to over 8 %, largely because of the international economic recession. Swedish tanners were of course hit by the recession and had to lay off a number of employees. The situation has improved during 2010 and the number of employees is increasing.

The Swedish tanneries are located in rather small places where they are well known and have long local traditions.

All Swedish companies limited by share, public as well as private, must according to the law submit their annual reports to the registration authority, “Bolagsverket”. The content of the annual report shall in addition to financial information include information on environmental and employee matters. Companies engaged in activities that require permit and notification under the Environment Code shall provide information on activities on external environment. Information shall be given about:

- average number of persons employed during the financial year with an indication of division between women and men
- the gender distribution among top executives
- the total amount of financial remuneration and allowances for Director, Executive Directors and equivalent officers and other employees
- sick leave in percentage of the employee’s total working hours
- proportion of sickness absence related to absence for a continuous period of 60 days or more
- sick leave for women and men
- sick leave for employees aged 29 or younger, 30-49 years and 50 years or older
- gender distribution among top executives

All Swedish operations regulated by permit, i.e. all Swedish tanneries, must return annual environmental reports as required by the Environmental Code. The system of environmental objectives consists of national, regional and local environmental objectives, progress being monitored respectively by central agencies, the county administrative boards, and local authorities. The three broader, cross-cutting issues related to the objectives are designed to address complementing aspects of work towards the environmental objectives.

All Swedish tanneries have replied to Social & Environmental Reporting of the European leather industry.
The Social indicators

- Number of workers

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<tbody>
<tr>
<td>Total</td>
<td>320</td>
<td>260</td>
<td>340</td>
<td>415</td>
<td>445</td>
</tr>
</tbody>
</table>

One company is dominating with more than 80% of the total workforce.

- Trade Union presence
  IF/Metall, Unionen, Ledarna, Sveriges Ingenjörer
  Unionization rate: 100%

- Average age
  46 years

- Average number of years of workers in the company
  15 years

- Average salary
  SEK 20,550/month

- 21% are female employees on the total workforce

- Training activities
  Lederinstitut Gerberschule Reutlingen — training courses and seminars
  BLC Leather Technology Centre — courses and seminars
  Nordic Leather Research Council — seminars

- 2.7% lost due to sickness or accident

- Survey of worker satisfaction
  Frequently the industrial health service carries through an inquiry among all employees. This inquiry comprehends the working environment as well as the psychosocial matters.

- There have not been any work conflicts.
Conclusion on Social reporting
The Swedish leather industry has referring strict legislations and long traditions good experiences of working for social and environmental improvements as well as informing all stakeholders of the company about their social and environmental status. The Social & Environmental Reporting in the European Leather Industry will be a complementary to existing reporting systems.

General conclusions
The social and environmental fields are considered as corner-stones in developing profitable and long-lasting enterprises within our business, which is refining a by-product into an exclusive and natural material for different market segments. On company level it is therefore essential that environmental and social awareness are elementary within the whole organization and are given high priority by the management in order to meet customer demands today and in the future.

Acknowledgements
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Elmo Leather Sweden AB www.elmoleather.com
Kero Leather AB www.keroleather.com
AB Tranås Skinnberedning www.tranas-skinn.se
Tärnsjö Garveri AB www.tarnsjogarveri.se