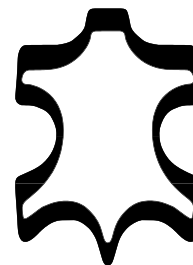


International Council of Tanners



REPORT
OF
MEETING
OF
INTERNATIONAL COUNCIL
Of TANNERS

Renaissance Harbour View Hotel, Hong Kong

29 March 2015

President: Mr Rino Mastrotto

Secretary: Mr Paul Pearson

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OFFICERS

President
Vice President

Mr R Mastrotto
Mr Richard Chih Hsang Pai

ITALY
TAIWAN

PAST PRESIDENTS

Sir K Newton

UK

Mr A Colomer Munmany

SPAIN

Mr J Koppany

ARGENTINA

Mr P Hellemaa

FINLAND

Mr A Mattiolo

ITALY

Mr A Segerdahl

USA

Dr F Schweizer

GERMANY

Mr A R Mossop

SOUTH AFRICA

Mr K Tokunaga

JAPAN

Mr M Parsons

UK

Mr B Hazer

TURKEY

Mr W Goerlich

BRAZIL

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MEETING OF THE INTERNATIONAL COUNCIL OF TANNERS

RENAISSANCE HARBOUR VIEW, HONG KONG, 29 MARCH 2015

ATTENDANCE

Mr Rino Mastrotto (President)	Italy
Mr Luca Boltri	Italy
Mr Rogerio de S Di Domenico Cunha	Brazil
Mr Chen Zhanguang	China
Mr Li Yuzhong	China
Dr Mwinyikione Mwyinyihija	(COMESA)
Mr Hans Goetzfried	Germany
Mr Thomas Strebost	Germany
Ms Claudia Graz	Germany
Mr Kazuharu Nakagawa	Japan
Mr Kozo Tokunaga	Japan
Mr Goncalo Santos	Portugal
Mr Kevin Kuang Tien Chiou	Taiwan
Mr Stan Ku	Taiwan
Mr Thomas Yu	Taiwan
Mr Jonathan Muirhead	UK
Dr Kerry Senior	UK
Mr John Wittenborn	USA
Mr Paul Pearson	Secretary (UK)
<u>By Invitation</u>	
Mr Kaison Chang	FAO
Ms Lyn Ip	Adidas Group
Mr Mike Tomkin	Stahl Chemicals
M Jean-Pierre Bidegain	Le Cuir/Leder Hautmart
Mr Martin Ricker	International Leather Maker
Mr Stephen Tierney	World Trades Publishing
APOLOGIES for absence had been received from	Mr Fernando Bello (Brazil)
	Mr Su Chaoying (China)
	Mr Wolfgang Goerlich (Brazil)
	Mr Onur Gorgun (Turkey)
	Mr Ernest Heunis (South Africa)
	Mr Richard Chih Hsang Pai (Taiwan)
	Mr Gustavo Gonzalez Quijano (COTANCE)

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COUNCIL MEETING 29 MARCH 2015–MEETING REPORT

1 PRESIDENT'S INTRODUCTION AND WELCOME

The President, Mr Rino Mastrotto, made the following introduction to the meeting.

Dear friends and colleagues, welcome to the ICT Council Meeting.

In this year's presidency, I have seen that the job of a tanner has become more and more complicated.

There are growing requests on guarantees, documentations and parameters. We must assure the customers on everything. Some of them have even asked us to see the monthly payment of our employees. The authorities expect very heavy commitments on the environment that in certain cases affect our future, such as in Europe regarding the environmental footprint.

The environmental scientists are divided because someone claims that the planet is becoming warmed up, others say no, but it is imposed on us to calculate the emission of the carbon dioxide and the consumption of energy even from the phases preceding the "birth" of the raw hide, which is the moment in which the hide of the animal falls on the ground after the slaughter.

The modern tanners are very clever in transforming a discarded product of the food chain into a product being essential, welcomed by the consumers and synonymous with elegance.

We are making a study on a tannery at the time of the eruption of the Vesuvius volcano 2000 years ago. We will make a documentary film which will be shown in September at the World Leather Congress.

Well, at that time leather was used for practical purposes, nobody considered it as an embellishment for the person.

But today, this mass of rules, documents and bureaucracy which come to us from clients, consumers and governments has become excessive and too costly. The risk for us is to lose the great majority of buyers. We cannot transform ourselves into jewellers who make precious articles for just a few. All people need to dress themselves with leather; therefore, we must unit ourselves and obtain the maximum simplification of our procedures on purchase, processing and sale.

I hope that we all agree on that.

Good work.

2 REPORT OF THE 2014 MEETING

The report of the meeting held on 30 March 2014 had been circulated shortly after the meeting, with copies also being tabled. This report was approved as a correct record of the meeting. There were no matters arising from the minutes that were not covered by the current agenda.

3 REPORT FROM THE SECRETARY

The Secretary commented briefly on items not covered by the report from the Executive Committee. He told members that the memory sticks tabled for each member included the background papers for the meeting, including statistics summary, national reports received, and the presentations from Mike Tomkin and Lyn Ip (NB a slightly revised version of Ms Lyn Ip's presentation was circulated subsequently).

The Secretary reported that most activities were to be reported under the report from the Executive Committee but made specific mention of the following:

- he was still progressively updating and upgrading the ICT website;
- related to this was the ongoing contact with FAO, which had led to Mr Kaison Chang, head of the Raw Materials section agreeing to come to talk to the Council; FAO wished to re-energise their activities on hides, skins and leather, reactivate the Hides and Skins Sub Group and were about to issue the latest

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edition of the World Statistical Compendium on Hides, Skins Leather and Leather Footwear (which would be a basis for updating the statistics on the ICT website);

- he had also engaged with the LEAP (Livestock Environmental Assessment Project) Partnership which came under the auspices of the FAO Partnership
- with the objective of keeping up the profile of ICT, the Secretary reported that he had made presentations at the ILM Automotive Conference (on labelling of automotive leather) and at the CLIA Conference (on current challenges for the leather industry) both in Shanghai, and had, once again, joined the judging panel for the Tannery of the Year awards; he was due to give a presentation the following day at the BLC Conference (on Environmental Footprinting).

4 REPORT FROM THE ICT EXECUTIVE COMMITTEE

The Secretary reported that the ICT Executive Committee had met the previous afternoon, when 8 people had been in attendance. The following items had been considered at the meeting.

- (a) Accounts for the 12 months to 31 December 2014 The Secretary reported that this was the first normal year of accounts since the ICT had been established as a limited liability company in the UK. As forecast, these 12-month figures showed a small surplus (of £1248); as a non-profit organisation, the aim was, effectively, to break even year by year. The Secretary explained that in UK, smaller companies such as ICT did not need to have a formal audit, but could have a simpler Financial Report prepared by a qualified accountant.

The Executive Committee had reviewed the accounts and had agreed to recommend them to Council for formal approval. Council approved the accounts and agreed to maintain the same level of subscriptions for the current year. Council also agreed to continue with the current form of Financial Report, which complied with UK reporting requirements and not to require a more elaborate formal audit.

- (b) Administrative matters The Secretary reported that under UK law it was necessary for the company to have at least two directors; the current number was three, but he suggested, with possible changes, that it would be appropriate to appoint one additional director from the Presidency. The Executive Committee had proposed Mr Salvatore Mercogliano as a director of ICT, representing the current presidency, and this was approved.
- (c) Membership The current membership of ICT remained at 38 countries, including the regional group members within COMESA and COTANCE. The Secretary, in conjunction with the Executive Committee would revisit the recruitment of new members.
- (d) ICT Statements on Sustainability and Animal Welfare The ICT Statements on Sustainability and Animal welfare had been finalised, issued to all members, posted on the ICT website and further disseminated through a press release.
- (e) International Contracts Following last year's Council Meeting the main interested members – Italy, China, and Taiwan – had collaborated on developing a negotiating position with regard to the International Contracts. This had been discussed again at the Executive Committee meeting in Milan and proposals had been circulated to all members after that meeting. These had been approved by a majority of members and an initial, informal meeting held with ICHSLTA in February. ICT had been represented by Luca Boltri, Richard Pai and Kevin Chiou; ICHSLTA by their President (France) and representatives from USA and Australia. While ICHSLTA had been prepared to accept some of the less critical proposals, their initial reaction was not to accept any of the key items regarding tolerances, except to say that these might be negotiated on a company by company basis.

Members agreed that if it was not possible to reach a satisfactory outcome in negotiations with ICHSLTA, then ICT should explore preparing a contract form that took account of the buyers' concerns.

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- (f) President's letter on protectionism The President had circulated a draft letter to all members of ICT, with the suggestion that, if they agree with it, they send it to their national governments to encourage them to take action against protectionism. To date, there had been little feedback from members.
- (g) Carbon Footprinting The Executive Committee had agreed that ICT should engage with the FAO's LEAP (Livestock Environmental Assessment Partnership) project, which had the aim of harmonizing the methodologies for assessing environmental footprints. Organisations associated with the group had already produced guidance documents on animal feed and on dairy products. The Partnership had recently produced a draft for consultation on large ruminants, which was included on the memory stick tabled at the current meeting.

Developments in Europe were mixed; no consensus could be reached on a uniform approach to methodology by sectors in the animal production chain ("modeling the cow") and the Steering Committee had imposed a default position, based on economic allocation, which allocated 3.57% of the upstream burden. However, the Steering Committee had invited sectors to test other options and they have approved the scope and choice of representative product for the leather sector project.

- (h) Leather Labelling The news from Europe was again mixed. The amended European CEN Standard on leather terminology and definitions, which would ban the use of the term leather for any materials not meeting the strict definition of leather, and also prevent its use in conjunction with adjectives or other descriptors, where the material was not leather, was due to be finally published in April. A copy of the latest draft, which was believed not to have changed, was included on the memory stick. However, the European Commission appeared to be reluctant to pursue formal legislation on leather labelling, which, in the view of the industry would be rather more effective. The issue was being handed on to the next Commission, and the address of the responsible Commissioner was included on the memory stick as an aid to members to make representations on the importance of legislation. Dr Mwyinyihija asked if ICT should be more active in lobbying, particularly in Europe; the answer was yes, but in the case of Europe, this was done mainly through, and in some cases in conjunction with COTANCE.
- (i) Chemicals/Chrome VI The chemical companies had been approached on the questions of a possible buying contract and on traceability; the discussion was ongoing and a definitive response awaited.

Luca Boltri expressed serious concern on the chemical management issue and particularly on chrome use. There is a growing confusion among clients on that, also caused by the multiplication of initiatives on the issue. Tanners are requested by brands and clients in general to comply with RSL and chemical tests/requirements that are inapplicable or inadequate or useless; some chemicals producers, laboratories and consultants often take advantage of the lack of related know-how in the brands in order to approach them directly and sell eco "easy solutions", without involving tanners on the feasibility. This would also be raised at the GLCC meeting.

- (j) Future World Leather Congress It was confirmed that the next World Leather Congress would be organised by UNIC on 8 September 2015, in Milan, during the period of the World Expo. A draft leaflet and outline programme were tabled, for members' information. The proposal was to invite each ICT member to prepare, in their own language, a very short video to welcome participants to the Congress; and during the morning of the Congress each member was invited to give a 5-minute report on their own national industry – to characterise the industry and provide a brief market report.

It was also planned to have a toxicologist talking about chromium with the aim of promoting the correct information in a reasonably simple, balanced way. John Wittenborn reported on work being carried out in the USA regarding the threshold below which hexavalent chromium had no effect.

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6 OVERVIEW OF STATE OF TRADE

Noting that many members had submitted written reports, which were included on the tabled memory stick, the President invited members to give a brief overview of any key current issues in their countries that they wished to draw to members' attention.

Italy The President commented that the main issue in Italy was fluctuation in exchange rates, particularly the Euro/US Dollar rate, which had an impact on programmes, forecasts, imports and exports. While raw material prices had eased from the peak, there were continuing problems with quality.

Portugal Goncalo Santos reported that the leather industry was picking up and briefly introduced an event in Portugal on 1-3 May 2015.

China Chen Zhanguang reported that tanners in China generally were facing difficulties. Volumes were static and there was big pressure on prices.

Taiwan Kevin Chiou reported that volumes remained reasonable but business was difficult. The footwear industry was moving round South East Asia eg within China and to Vietnam.

Africa Dr. Mwinyikione Mwinyihija reported that imports of footwear into Africa were up substantially, with a large share of these being of second hand shoes. Raw material prices generally were up and there were some major reforms in process as 11 countries had developed strategic plans for the leather sector – the main aim was to add value to wet blue; at present some 80-85% of material was exported raw. He referred to the “Blueprint for the African Leather Industry” There were hopes that FAO would begin to take a strong interest again. Zero discharge of listed chemicals was not a current issue for the African industry.

7 DATES AND VENUES FOR FUTURE MEETINGS

A meeting of the ICT Executive Committee would be arranged just before the Lineapelle Fair and World Leather Congress – late afternoon/early evening on Monday 7 September 2015, in Milan. The next meeting of Council was provisionally agreed to take place in Hong Kong, on Tuesday 29 March - the morning of the day before the 2016 APLF (which is scheduled for 30 March-1 April). **NB** Easter Sunday and Easter Monday fall on 27 and 28 March, so we should review the meeting pattern before final confirmation.

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GUEST SPEAKERS DURING THE OPEN SESSION

(Copies of all presentations have been circulated to members – the following notes record some of the main points)

8 RECENT TRENDS IN THE AUTOMOTIVE LEATHER SECTOR – MIKE TOMKIN, STAHL

Mike Tomkin commented that the automotive leather sector was exciting and dynamic, having increased from 10,000 to 150,000 hides a day since 1980. There were trends within this, with the USA being slow to recover from the 2008/9 crash and the shift to Mexico. Market growth was being driven by carmakers, because including 200-300\$ of leather in a car gave a potential premium of \$2000. The car industry and the handbag sector were the two main areas of growth for leather. There was currently no significant traceability in the sector.

It was interesting that Audi, Volvo and VW had gone back to chrome tanned leather after initially moving away. The alternatives did not offer the required range of performance.

He suggested that tanners should work harder with the car companies – for example, telling them how they have taken weight out of the product.

He commented on RSLs (what is left in the product) and MRSLs (what is received by the tannery) and warned that the car companies would be looking at these in due course. The other area where tanners might consider being proactive was in relation to recycling. The percentage of material in cars required to be recycled under the EU End of Life Vehicle Directive was increasing to 95%, and it seemed likely that the car companies would be looking more closely at leather. The example was footwear where around 20 billion pairs of shoes a year need to be disposed of. In this sector, the University of Loughborough was developing a system for shredding shoes and turning the material into fertiliser.

Cutting yields remained relatively low, because car companies would not accept minor blemishes – was this really necessary?

9 UPDATE ON FAO ACTIVITIES ON HIDES, SKINS AND LEATHER – KAISON CHANG, FAO

Kaison Chang gave an overview of the FAO's work on hides, skins and leather, and explained that the organisation was keen to reinvigorate the work of the Hide and Skin Sub Group and re-engage with the industry. He showed statistics that demonstrated the importance of hides, skins, leather and leather products in international trade and reported that the latest version of the World Statistical Compendium on Hides, Skins, Leather and Leather Footwear would be put on line very shortly.

10 UPDATE ON THE ZERO DISCHARGE OF HAZARDOUS CHEMICALS (ZDHC) INITIATIVE - LYN IP, ADIDAS

Lyn Ip of Adidas gave a detailed review of the development of the Zero Discharge of Hazardous Chemicals initiative and the current extension of the project from the textile sector to cover leather and leather products. The draft MSDS for leather had been circulated for comment, with UNIC, CLIA and TILA included in the circulation. Lyn Ip said that she was keen to engage with ICT and the leather sector in general. She also said that there was a wish to work alongside other initiatives, such as the Leather Working Group, to minimise the number of audits required.

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