

PRESIDENT'S REPORT 2017

Milan, 15th June 2018

A warm welcome to all authorities, colleagues, associations and organisations, thank you for being with us today.

Ms. Sacchi has presented the program of this day, and I would like to start by sharing a heartfelt memory of our colleague and friend *Michele De Maio*, who left us only a month ago. For many years, he has been a member of the UNIC Board, and President of ICEC. He played an essential role in the tanning industry, both in the Campania Region and in Italy. We miss him, we always will.

And now, just a few words on this location, Spazio LINEAPELLE. We have the ambition to create a permanent exhibition hub here, the lively expression of a sector whose product, leather, characterises and enhances the creative choices of fashion, design, automotive. It will tell our past, describe our present and, most importantly, show our future.

Spazio LINEAPELLE will host exhibitions, events and meetings with one common denominator: the diffusion of the culture and of the value of Italian leather.

We are proud of our work, of the records achieved, which we are holding still, despite the current national and international uncertainty.

We have a new Government and a new Parliament: we wish them the best for their work, and we ask them to do their best to remove the barriers and bottlenecks that are burdening our activity and frustrating the profitability of our companies.

The tanning industry is a flagship of the Made in Italy, which brings profits and produces employment to 18,000 workers, a number we could easily double, if we consider the particularly complex supply chain behind it. We are aware that “nothing lasts forever” and We always strive to do better.

How was 2017 for us?

Not great, but good nonetheless. Production grew, overall, by 6.1% in volume and 1.8% in value, achieving 5.1 billion Euro; exports (75% of the turnover), towards 120 Countries, increased (about +1%), thus confirming our international vocation.

We have further consolidated our market leadership at global level, as we now count for 20% of the total tanning industry turnover worldwide: in the corresponding export, a little more than 1 skin out of 4 is Italian.

Profitability conditions, of course, look different, depending on the type of raw material used and the positioning in the various

sectors of destination.

You can find the statistics in the handouts and in the dedicated video we have prepared. For further information, you can contact the Economic Department of the association

You will appreciate that the figures confirm, once again, our strength and solidity. The market is paying close attention to us. It is no coincidence that since 2017, private equity funds have been investing in the Italian tanning industry. In Veneto at first, and then in other parts of Italy. Most of our companies are family owned, with a solid level of capitalization and a higher propensity to invest their own resources: we have long-term prospects and strategies and an immune system that is able to protect us against an ever-changing market.

Tanneries have distinctive skills with no equals. Development and modernisation are part of our everyday vocabulary, but there is another word, which has represented a key dynamic factor of the Italian tanning industry for over 30 years. That word is sustainability.

The Italian tanning industry invests in sustainability about 4% of the total annual turnover, on average, that is, more than 200

million [Euros]. It was about half as much in 2002. By thinking ahead, we have met the business strategy of international brands, which requires integrated action by all players along the supply chain.

We take an active part in working tables on chemical and environmental safety, we guarantee our clients with traceability and transparency. More than half of our national sales, 3 out of 5 billion euros, are produced by companies certified in various areas.

Our 76% waste recovery rate is a fully-fledged part of the circular economy mechanism, set as a target by the EU Resource Efficiency Agenda in the Europe 2020 Strategy.

Sustainability for us tanners is an expression of the way we work. It's a mark, which should only be made deeper.

Let's not forget, though, that sustainability represents a very high cost, which erodes our margins, as it lies almost entirely on our shoulders. I would like to repeat something I've already said last year: we need a better balance, because an unbalanced supply chain has no future. Clear schemes of reference are essential to us all, but certain decisions from above are often emotionally driven, rather than science-based.

The Sustainability Report in your hands certifies our commitment.

Lastly, talking about sustainability, the European Commission has recently approved our environmental footprint calculation method, a self-diagnosis tool designed to identify the impact of processes and products.

Most importantly, it will become a valid support to action planning, looking forward to a continuous improvement of our green performance.

As far as industrial relations with workers and trade unions are concerned, they continue to be positive and constructive, aiming at safety, health and environmental performances improvement. The National Observatory had a fresh start and created effective synergies.

A special attention has been given to training and education by supporting innovation and by promoting tanning education at all levels, through arrangements with universities, scientific and technological collaborations. Training also expresses through an increasing number of actions taken with the most important Italian and foreign fashion schools, with projects in which the leading role is played by students, on the one side, and by our associated members

on the other. Training, moreover, is the activity that we are carrying out in the middle and high schools with the projects “Amici per la Pelle”, “Le belle lettere della pelle”, “Nella mia città - Cose di pelle”.

Again, we are expecting a great deal from our research centre, the Italian Leather Research Institute. I'm sure *Mr. Graziano Balducci*, recently appointed as president, will continue the improvement process undertaken by his predecessor *Paolo Gurisatti*, whom I publicly wish to thank for his excellent work.

Our fairs are and still remain our flagship.

LINEAPELLE is the most important fair in the world for leather and the larger sector that gravitates around it. An undeniable leadership, favoured by the excellence of the made in Italy industry in terms of creativity and productivity.

Our brand is widely recognised and exported worldwide. And when we have Simac/Tanning Tech by our side, as in the February edition, we reveal all the strength of our supply chain. We are aware that the world of fairs has undergone a proper revolution. Sales and sampling are now in the background, nonetheless LINEAPELLE represents an itinerary through offers of materials, services and innovation, and we are working to make it even more so.

We are looking for synergies, considering the various uses and possible destinations of our product, without missing the opportunities that will intersect our offer (automotive, boat industry, furniture, etc.).

LINEAPELLE is growing, and so are its satellite events both in Italy and abroad. I'm speaking of London, New York, Shanghai, Canton and Paris. I'm speaking, for instance, of our presence in Viareggio, at the boat show, in Florence, soon at Pitti Filati.

I wish to thank the Ministry of Economic Development and ICE, the Italian Trade Agency, for their support, and Fiera Milano, with which we have started a constructive collaboration.

The cultural activity is closely related to fairs. Considering that the tanning process, in its relations, its phases, its products, is a form of art, we are committed to give back to the entire community something that will last. We have done a lot in the past and we will do even more in the future. In 2019, the restoration of the tannery within the Pompeii site will be completed, thanks to the arrangement signed with the Superintendence. A museum of tanning in the most important archaeological site in the world.

We have joined the Finance for Fine Arts project of Borsa Italiana, by sponsoring the "Judith", a painting by Nicolas Regnier

dating to the first half of 1600 which, after the restoration, will be displayed at the Galleries of the Venice Academy. We cooperate with the institutions of our districts, always trying to talk about and promote the tanning sector in non-conventional ways.

A birthday is being celebrated at UNIC this year, the 125th year of the magazine La Conceria. 125 years of high-quality, accurate weekly information. Now, it can no longer be called just a magazine. It's a platform of daily news reports, entwined with the web and the social media, which reached over 260,000 monthly interactions in 2017 and is still growing in these first months of 2018. Our daily news has become an authoritative source for the whole leather sector both in Italy and at international level.

And now let's talk about our UNIC, to which we are going to add the subheading "Italian Tanneries" from now on.

Yesterday afternoon, during our private meeting, amendments to the bylaws were approved as indicated by Confindustria, within our new contributory pathway.

All of this is the result of several internal discussions, and I want to be clear that we haven't finished yet, it's just a starting point.

It was a proper fresh start for the association. Now, new challenges, new actions await us.

We are on the first line, struggling with the problems on our territories, and we will strengthen our commitment towards sustainability, through new working tables and forums.

Even with our diversity, we are making our way, fully aware that the role of the association will be increasingly complex in the years to come: it will have to give different answers to all tanneries, large or small. The world has changed and the scenarios are becoming more and more unforeseeable and brittle.

I don't want to sound presumptuous in defining our association "strong" but it is clear that it plays a key role in the relationships with Italian and international institutions, thanks to Cotance in Europe and ICT in the world.

We have recently accepted to move the offices and administrative headquarters of the Leather Arbitration Chamber from Genoa to Milan, and we have reviewed its Constitution and Bylaws. The aim is to modernise the Institute, streamline it and make it less costly while maintaining the precious knowhow

gained in over 80 years of arbitration in the raw hides and skins trade.

UNIC is well structured and proactive. It has also undertaken the procedure for product certification under the quality system in agreement with the UNI EN ISO 9001 standard. This will ensure compliance with the requirements and continuous improvement of the services to its members.

Today, I have the opportunity to express my appreciation for the work of Confindustria Moda, of which we are associate members, and to thank *Ms. Gabriella Bocca*, president of Assomac, because the companies she represents largely contribute to our success. We thank the mayors of our districts, I am deeply and heartily grateful to them, because I can feel they really care for our category.

Each leather we produce concretely reflects our passion. A proof of the responsibility we feel in being tanners.

With us, leather is in safe hands.

Thank you all.

Cav. Lav. [Order of Merit for Labour] *Gianni Russo* President