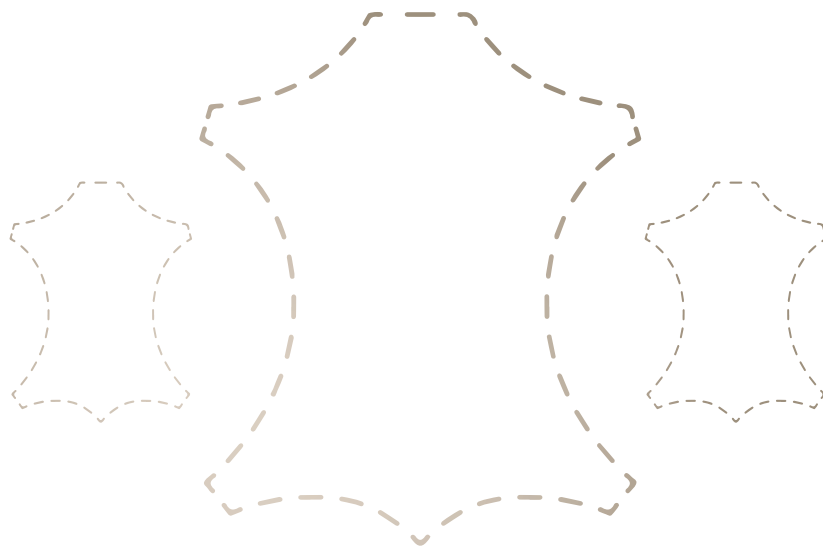


TOWARDS SUSTAINABLE LEATHER SOURCING

*Overview of challenges and proposed actions
to move towards sustainable leather supply chains*



THE PARIS SMART SOURCING LEATHER WORKSHOP

Hosted by Kering, with the support of Origem, the Smart Sourcing Leather Workshop (the "Workshop") was held in Paris on 31st May 2016. More than 50 people attended including experts from NGOs, foundations, UN agencies and representatives from 20 different brands. Participants discussed the challenges of and opportunities for creating more sustainable beef leather sourcing and supply chains. This meeting was convened as part of ongoing discussions and workshops among companies, supply chain partners and expert groups aimed at charting a way forward through collaborative and individual actions for more sustainable beef leather.

During the Workshop, experts were asked to present the most recent information from their own initiatives and suggest key actions for improving aspects of the beef leather supply chain. This document summarizes the key points from these presentations and the ensuing discussions between the experts and the brands. The intent of this document is to serve as a record of the Workshop as well as to provide information and references for future discussions and actions. The key topics covered in the Workshop were:

1. TRACEABILITY

2. SMART SOURCING IN EUROPE

3. SMART SOURCING OUTSIDE EUROPE

4. ANIMAL WELFARE

EXPERTS

From various academia, non-profit organizations, consultancies, and funds:

Althelia, BLC Leathertech, BSR, Control Union Certifications, Eco-Age, Bassett Consulting, Fair Fashion Center, Fondation Nicolas Hulot, Leather Working Group, Made by, Gordon & Betty Moore Foundation, National Wildlife Federation, Origem, RSPCA, Savory Institute, Solidaridad, Stockholm Environment Institute, Sustainability Development Goals Fund, Textile Exchange, UNDP, WWF.

BRANDS

From luxury, fashion and retail sectors:

Acne Studios, Alexander McQueen, Balenciaga, Burberry, Chanel, Clarks, Groupe ERAM, Gucci, H&M, IKEA, Kering, LVMH, Maisons du Monde, Marc Jacobs, Marks & Spencer, Mulberry, Nestle, Nike, PVH, Saint Laurent, Tommy Hilfiger.

INTRODUCTION

Leather products, from consumer goods to luxury articles, are usually perceived as high quality and long lasting items often with the additional 'value' of being created through traditional artisanal methods and manufacturing 'know how'. There is now a new imperative to build on leather's value proposition – the integration of sustainable practices along the supply chain. Currently, leather supply chains are fragmented, complex and global. There are well known environmental and social challenges at the various stages in the transformation from animal hide to finished product. In particular, it is upstream in the supply chain where there are impacts related to animal welfare, land use change, greenhouse gas emissions and working conditions.

The Paris Workshop was a brand-driven initiative to identify ways of developing more responsible supply chains of beef leather with the highest standards of ecological sustainability, traceability and animal welfare. Recognizing that there are already effective platforms in place (e.g. Global Roundtable on Sustainable Beef, Leather Working Group), the workshop's aim was not to re-create a new platform, but rather to foster cross-disciplinary discussions and knowledge sharing among academics, conservation and development practitioners, and the private sector. Due to time constraints, the workshop could not cover all of the initiatives across the industry, but a range of initiatives were presented in the areas of traceability, animal welfare and sustainable farming to highlight new approaches and stimulate discussion on action.

The main objective of the Workshop was to bring leaders in industry (brands & companies) and experts together to find concrete ways of catalysing traceable and responsible leather supply chains by:



Focusing on cattle farming because of its significant environmental and societal challenges.



Presenting the latest research and innovation around **ecologically sustainable beef production** in key sourcing regions.



Focusing on **the latest developments in traceability** systems for commodities (including leather).



Understanding the **key issues around animal welfare** in beef leather supply chains.



Acknowledging that social responsibility for the people working in the leather supply chain is a priority. This was out of the scope of this Workshop, but agreed upon by all participants.

1. TRACEABILITY

There is a lack of transparency and traceability methods in leather supply chains. Full traceability from the leather finished product up to the cattle breeding farm is rare. Frequently, brands have limited knowledge of the origin of the cattle hides used for their leather goods. In particular, suppliers that are upstream beyond the tannery are unknown to the downstream actors and to the ultimate consumers of the leather.

The slaughterhouse is a key step in building transparency in leather supply chains; it is here that the hide is separated from the meat and, most often the point at which traceability is lost. Raw hides are a by-product of the meat industry, and it is not normal practice to systematically identify the farm of origin. That being said, the fact that there is often traceability on meat provides an opportunity for building in the traceability of leather.

CHALLENGES

TRACEABILITY AS A TOOL AND/OR AN OBJECTIVE?

- ▷ What granularity/level of traceability is needed for leather products? Is complete traceability up to the farm/animal always required? What would be the benefits/added value of such systems?
- ▷ Of course, in some regions where illegal practices occur (e.g. ecosystem degradation & deforestation, illegal slaughter), traceability up to the farm is a priority. In other cases, could traceability up to a region of similar/homogenous cattle farming practices be sufficient?
- ▷ Could mass balance approaches (up to the slaughterhouse or the wet blue tannery) be relevant to secure the growth of sustainable production models?
- ▷ There is significant movement of live animals (e.g. birth farm, rearing farm, fattening farm, etc.) as well as movement of hides and wet-blue processed leather. How do we keep track?

HOW TO ENGAGE ACTORS TO PROVIDE MORE INFORMATION ON THE ORIGIN?

- ▷ How to progress towards more traceability? How to overcome the confidentiality of 'wet blue' sourcing at the finishing tannery? How to engage key actors in the supply chain (e.g. tannery, meatpackers, etc.) to disclose more information and the type of information needed?
- ▷ How to align brand requests for traceability?

HOW TO ENHANCE SCATTERED TRACEABILITY TOOLS?

Some traceability tools already exist at various life cycle steps:

- At rearing stage, individual identification (tracking animals' movements from birth to slaughter) is mandatory in some countries but is not implemented in others. The characteristics of the traceability systems (including the type of data collected) vary, often depending on national legislation. Benefits of this level of traceability include the monitoring of animal health and growth.
- At the slaughterhouse, meat traceability is almost always in place up to the animal's most recent farm, mostly for health & safety reasons. This is not the case for the hides. Some research programs explore solutions that could be implemented (e.g. CTC with RFID/bar code & micro-percussion stamping methods).
- At some wet blue tanneries, (e.g. in Brazil) there are examples of physical stamping of hides. Otherwise, traceability through documentation can enable identification of hides from a "batch" that could come from a suite of identified slaughterhouses.

SUCCESS WILL COME FROM

COLLABORATION AMONG KEY ACTORS IN THE SUPPLY CHAIN

- Brazil is an impressive example of how meatpackers and wet blue tanneries succeed in implementing traceability. The main goal is to block purchases from direct suppliers that are associated with deforestation and other illegal activities in the Amazon biome.
- Progress is still to be made on traceability with indirect suppliers and will come from engagement and collaboration with key actors: A multi-stakeholder group (including the National Wildlife Federation) has been created in 2015 gathering ranchers, meatpackers, retailers, government, researchers and civil society (Indirect Suppliers Working Group). Its objective is to identify, develop and implement viable sector-wide traceability solutions for indirect suppliers in Brazil.

ALIGNING, CONNECTING AND ENHANCING GLOBAL & LOCAL TOOLS BOTH CURRENT & NEW

- Big data technology is ready to tap into the massive public available pool of information (e.g. tax, trade, customs, 'bills of lading' remote sensing datasets) to support greater global supply chain transparency (e.g. Transformative Transparency Stockholm Environment Institute).
- Effective systems are in place and can be replicated (e.g. physical stamping of hides at the slaughterhouse is recognized as the most robust traceability method by the Leather Working Group).
- Valuable information is already available at the local level (e.g. property registration and cattle transportation documents) and could deliver accurate traceability with the right tools in place.
- Various traceability models could be possible for beef leather (e.g. segregation, mass balance, book & claim); BSR provides tools and guidelines for their implementation on its website.

2. SMART SOURCING INSIDE EUROPE

Europe is a major supplier of high quality hides – particularly to the luxury fashion sector. This is due to the breed of animals, availability of calf and veal, and overall hide quality.

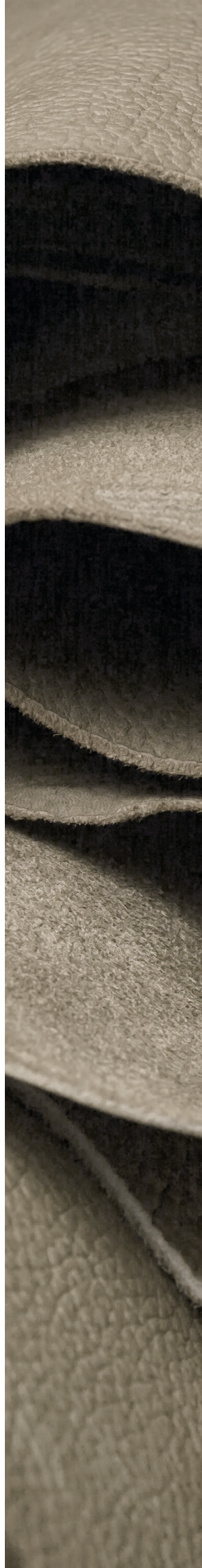
Cattle livestock production systems (for beef or dairy products) are diverse across Europe and could consist of: highly-specialized dairy production systems, beef production from dairy herds or beef production from suckler herds. At the same time, European cattle farming is facing tremendous challenges (e.g. Common Agricultural Policy reform implementation, rising input costs, disease, economic viability, environmental regulations, etc.) and increased competition in the global market. The consequence of these factors is an industry that is perceived by many as “in crisis” with beef producers struggling to make a living. Now, in addition, the sector also has to answer to consumers’ preoccupations about leather’s impact on the environment.

Europe has implemented stringent regulations on both cattle farming and leather production, much stricter than those in other regions. The EU environmental legislation with respect to animal production focuses on the protection of natural resources (soil, water and air), animal health and welfare. The European leather industry is also subject to various measures concerning the tanning impacts on the environment, the use of chemicals, and the use of animal by-products. This regulatory framework, combined with incentives and voluntary industry agreements, can lower the risk related to environmental impacts, working conditions and the animal welfare of European leather supply chains.

CHALLENGES

HOW TO UNDERSTAND THE SPECIFICITIES OF THE EUROPEAN MEAT & DAIRY SUPPLY CHAINS?

- ▷ The European meat & dairy industries are complex. There are several farming models as well as animal transport within countries & across borders.
- ▷ Hide quality is difficult to link to production systems because of the lack of traceability on hides and the fact that the meat/dairy & leather goods industries are currently progressing separately on sustainability issues.



HOW TO PROGRESS TOWARD MORE SUSTAINABLE CATTLE FARMING PRODUCTION?

► Multiple farming practices are resulting in various environmental and societal impacts. What are the impacts to focus on? As examples:

- What alternatives are there for animal feed to replace imported soy that is potentially linked to deforestation in South America?
- What is the best approach to reduce the impacts of water pollution from manure?
- How to protect meadows and maintain biodiversity while still having effective grazing practices?

HOW TO SECURE HIDE SUPPLY?

► Given the long-term declining trend of EU cattle herds and the decreasing number of animals being slaughtered, the EU supply of hides is expected to decline in the future. The long-term EU veal production decline is also affecting the availability of the highest value calfskins.

► How to secure the supply of high quality hides?

► How to support and engage with the beef and veal sector to ensure the long-term sustainability of the industry?

SUCCESS WILL COME FROM

SUPPORTING THE "RAISED-IN" AND "MADE IN" EUROPE LABELS AND PROVIDING INCENTIVES TO THE FARMERS

- Develop and promote "raised-in" and "made-in" Europe labels to support EU farming and enhance the quality of European hides.
- Connect end consumers back to European farms through traceability.
- A standard and a certification system (covering animal welfare and ecological protection), used by both the meat and textile industries will give assurance to end consumers.
- Provide incentives at each level of the supply chain and especially to farmers to leverage the hide quality.

SHARING SOLUTIONS AT THE FARMING STAGE AMONG THE DIFFERENT PLAYERS

- Create a neutral forum with all stakeholders (meat & dairy industry, textile industry, other industries such as automotive and furniture, civil society, etc).
- Map existing initiatives and good practices toward more sustainable cattle farming (e.g. local protein forage).
- Develop global solutions (cross-industry standards, certifications, etc).
- Facilitate the communication around "raised-in" Europe products.
- The Foundation Nicolas Hulot is working to create collaborative dynamic partnerships on sustainable beef & leather supply chains.

3. SMART SOURCING OUTSIDE EUROPE

Cattle production outside Europe can have significant environmental and societal risks. The most well known is the deforestation in the Amazon region of Brazil, but there is also conversion of other types of ecosystems in South America, such as the Chaco and Cerrado. In several regions, there are considerable social issues, particularly around working conditions, livelihoods and gender inclusion. Environmental issues include overgrazing, desertification and soil erosion as well as indirect impacts on important natural ecosystems (e.g. run-off and pollution into marine environments). The feedlots that are integral to the US system of intensive production (representing around 85% of all beef production in the US) lead to significant water pollution and have questionable welfare conditions.

Supply chain traceability is essential to improving sourcing outside Europe. Several approaches and tools for traceability and animal identification are being developed and tested (see above). However, comprehensive traceability in the beef leather production system faces several challenges including: high costs for large herd size, production models relying on various specialized farms (breeding, rearing, fattening), frequent animal trade to meet occasional cash flow needs in developing countries (cattle being a capital asset), etc. Therefore, for the moment, other solutions need to be considered for the leather supply chain outside Europe.

CHALLENGES

WHILE SUSTAINABLE MEAT SUPPLY CHAINS ARE DEVELOPING, IS THERE A BUSINESS CASE FOR SUSTAINABLE LEATHER?

- ▷ There is an emerging demand for sustainable meat, but is there a significant demand for sustainable leather and/or should it be created and pushed?
- ▷ The farmers do not benefit from the value of hides: generally, producers are paid neither for the hide in itself nor for its quality (remuneration is based on carcass weight and meat quality premium only). For farmers to change practices, does the demand for sustainable leather need to be expressed more clearly (e.g. connecting higher quality to best practices and pricing)?

LABELS ARE MULTIPLYING, HOW ABOUT A COMMON SUSTAINABILITY LANGUAGE OR STANDARD?

- Various meat labels are reaching the market with different claims: sustainable production, grass-fed, deforestation-free, grasslands conservation, wildlife friendly, animal welfare approved, etc. These are promoted by various entities such as retailers and NGOs.
- The Global Roundtable on Sustainable Beef is working to establish a common definition for sustainable beef production (principles and criteria were adopted in November 2014), but how to make it operational? How to harmonize a diversity of standards?

HOW TO ACHIEVE FARMER CAPACITY BUILDING AT LARGE SCALE?

- In developing and emerging countries, farmers have little access to technical assistance and/or technology solutions for more sustainable production.
- There is a lack of training at producer level. How to effectively disseminate best practices among farming communities and employees?

SUCCESS WILL COME FROM

COLLABORATING ALL ALONG THE SUPPLY AND INCLUDING THE PUBLIC SECTOR

- NGOs like Solidaridad, WWF, and Wildlife Friendly are playing a critical role on the ground to demonstrate that sustainable production models are possible. Financing the scale-up of such initiatives is key.
- Public-private partnerships as fostered by the UNDP National Commodity Platforms and the SDG fund programs, for example, can effectively pilot and implement actions that can then be replicated.
- Current successful models for sustainable cattle production in South America are supply chain oriented projects, aligning producers, NGOs, meatpackers and retailers. These still need to be scaled. Origem transforms upstream initiatives into sustainable sourcing opportunities.
- Collaboration between farmers is also key. The Savory Institute is disseminating tools to encourage better grazing practices among farmers.

MULTIPLYING FINANCING STREAMS: IMPACT INVESTMENT, INCENTIVES, ETC.

- Green/Impact investment funds and foundations are providing financing to sustainable production programs. They focus on multiple benefits and outcomes such as sustainable production, biodiversity conservation and livelihood benefits. Good examples are programs funded by The Forests and Agricultural Markets Initiative of The Moore foundation or by Althelia climate fund.
- The role of the private sector in providing the market drivers is key to ensuring that projects can scale and have long-term viability. It is imperative to show that there is market interest for sustainable leather. There is a need for incentives to reach the farmers that are engaged in and committed to sustainable practices. Various schemes are possible; offset certificates are one of them (i.e. a 'book and claim' system providing tradable certificates for sustainable leather to offset the use of leather).

4. ANIMAL WELFARE

Farm animal welfare concerns have risen with the gradual intensification of animal production systems over the past century, combined with the growing public attention and awareness of the treatment of farm animals. Driven by the need to reduce unit costs and respond to increased demand for meat and dairy products, the food industry has moved towards more intensive animal production systems. This has resulted in concerns regarding animal welfare (e.g. confinement systems in feedlots, breed selection for productivity, etc.). While some aspects of animal production such as slaughter and transportation get a lot of attention, other practices, which can also significantly affect cattle welfare, do not. These include: the use of high-grain diets (inappropriate for ruminants), the selection for heavily-muscled breeds, and poor inadequate shelter.

Generally, while there can be good regulation protecting on-farm animals, assuring animal health and well-being and ensuring decent slaughtering conditions, the level of enforcement is variable in different countries and regions. Cattle welfare as a business issue is relatively new for the meat/dairy industry. However, there are some impressive examples of where regulation and certification are driving high standards of welfare. In particular, some food companies have adopted high farm animal welfare standards.

CHALLENGES

HOW TO IMPLEMENT WELFARE REQUIREMENTS AT FARM LEVEL IF THE SUPPLY CHAIN IS NOT TRANSPARENT?

▷ At a number of stages, cattle welfare could be compromised. Have animals been:

- bred and reared humanely and provided with an environment which meets their needs?
- transported in humane conditions over minimized distances?
- humanely slaughtered?

▷ Given the general lack of hide traceability, how can there be a deeper understanding of the upstream supply chain that considers:

- regional farming systems specificities
- animal movements and hide trading

HOW TO PRIORITIZE THE KEY FARMING ISSUES AFFECTING ANIMAL WELFARE?

- ▶ The “Five Freedoms” have been widely accepted as a statement of fundamental principles on animal welfare. Now, there is a need to set principles and provide detailed guidance on the treatment and care of animals at farm level.
- ▶ Some criteria may be considered crucial to the welfare of all species; others will be specific for dairy, beef or calf, depending on farming practices (e.g. breed selection, diet, housing and shelter, etc).

HOW ABOUT CONNECTING ANIMAL WELFARE WITH LEATHER QUALITY?

- ▶ The meat industry is beginning to integrate animal welfare as a driver of meat quality (e.g. transportation conditions, and stress are affecting the carcass quality).
- ▶ Poor practices in rearing (such as a lack of parasite treatment), handling and slaughtering of cattle are also affecting hide quality usually only visible after tanning. How to better enhance this connection and relate the animal welfare best practices to the market demand for hides of higher quality?

SUCCESS WILL COME FROM

MORE INFORMATION ON UPSTREAM PRACTICES TOWARD A COMMON STANDARD

- ▶ There is a need for collecting more information on the upstream supply chain, production system specificities and animal welfare practices. Bassett Consulting is working to help understand key welfare issues to be addressed.
- ▶ High welfare standards and assurance schemes already exist (e.g. RSPCA welfare farm assurance and food labelling) and could be used to set a generic standard that could be implemented worldwide. Textile Exchange is exploring the development of a leather standard that would include animal welfare, similar to the Responsible Wool Standard, in collaboration with certification bodies such as Control Union.

COLLABORATING WITH THE MEAT & DAIRY INDUSTRY

- ▶ It is key to engage the meat/dairy industry on animal welfare strategies because of their direct relationship to the upstream supply chain. A consistent approach on standards is imperative.
- ▶ Cross-industry initiatives are required to address animal welfare challenges, establish/identify standards, and share best practices. The LWG is launching an animal welfare sub-group with this objective.
- ▶ Collaborative pilot demonstrations, linking together existing programs (high welfare criteria applied for both meat and leather supply chains) are needed.

CONCLUSION

In conclusion, the Paris Smart Sourcing Workshop was an important step for brands and experts to meet and hold in-depth discussions on the challenges of and opportunities for creating a more sustainable beef leather supply chain. By focusing on the areas of traceability, regional sourcing solutions, and animal welfare, the Workshop resulted in tangible suggestions and proposed actions on ways to proceed in each of these areas.

Specifically, it was agreed that progress in the leather supply chain can be fostered by:

- Collaboration among actors (e.g. leather supply chain actors, the meat & dairy industry, the public sector, etc.);
- Alignment of tools to move toward a common language (e.g. traceability systems, current and emerging standards, etc.);
- Mapping and sharing information on farming practices and sustainable initiatives to find smart sources and to disseminate best practices.

The Workshop helped provide consensus on the most pressing challenges and opportunities today and also served as a foundation for further cooperation in reaching industry-wide sustainable beef leather. Since the Workshop, there has been progress along these lines. For example, the Leather Working Group (LWG) has now started its animal welfare working group to map the current state of affairs. This broadens the LWG's scope upstream in the supply chain (as the group traditionally focused on the tanning stage). Also, after its annual conference in October, during which the Textile Exchange held a breakout session on leather, the organisation has announced their intention to move forward to facilitate a working group on the impacts of leather. These are very promising developments which will no doubt involve many of the experts and brands present at the Paris Workshop to various degrees.

The quality of the discussions among the experts and brand representatives during the Workshop demonstrates that many parties are fully engaged in the journey toward sustainable leather sourcing. Participants shared the vision that only sustainable leather will ensure enhanced value for all. It is now time to build upon this momentum to achieve a world where sustainable beef leather is the rule, not the exception.

