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Muller, Dominique; Paluszek, Anna

## Book

### How to do better : an exploration of better practices within the footwear industry

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#### Kontakt/Contact

ZBW – Leibniz-Informationszentrum Wirtschaft/Leibniz Information Centre for Economics  
Düsternbrooker Weg 120  
24105 Kiel (Germany)  
E-Mail: [rights\[at\]zbw.eu](mailto:rights[at]zbw.eu)  
<https://www.zbw.eu/econis-archiv/>

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# HOW TO DO BETTER:

an exploration of better practices  
within the footwear industry



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This is NOT a shopping guide, nor is it a complete overview of better practices. It is a partial overview of better practices in the shoe and leather industry from the Change Your Shoes campaign; aimed to offer ways of improvement and to encourage and enable mutual learning.

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Authors: Dominique Muller and Anna Paluszek  
Peer reviewed by Stefan Grasgruber-Kerl, Joanna Szabuńko,  
David Hachfeld, Charlie Aronsson, Helle Løvstø Severinsen.  
Layout: Titta Lindström  
Cover photo: Nathan Dumlao  
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Change Your Shoes is an international campaign which has been set up to work towards better social and environmental conditions in the tanneries, factories, workshops and homes where leather shoe production takes place. This campaign is a partnership of 15 European and 3 Asian organisations. Change Your Shoes believes that workers in the global shoe supply chain have a right to a living wage and safe working conditions, and that consumers have the right to safe products and transparency in the production of their shoes.



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## GLOSSARY

BFC - Better Factories Cambodia	GLBP - Ganges Leather Buyers Platform
BSCI - Business Social Compliance Initiative	ILO - International Labour Organization
CBA - Collective Bargaining Agreement	IMAC - Independent Monitoring Association for Child Labour
CCC - Clean Clothes Campaign	MSIs - Multi-Stakeholder Initiatives
CSR - Corporate Social Responsibility	NGO - Non-governmental Organization
CYS - Change Your Shoes	OHS - Occupational Health and Safety
ETI - Ethical Trading Initiative	PETA - People for the Ethical Treatment of Animals
FLA - Fair Labour Association	SAC - Sustainable Apparel Coalition
FLO - Fairtrade Labelling Organization	WFTO - World Fair Trade Organisation
FoA - Freedom of Association	WWF - World Wildlife Fund
FSC - Forest Stewardship Council	
FWF - Fair Wear Foundation	





WHERE SLUGO



## SECTION ONE: CONTEXT

### INTRODUCTION

Change Your Shoes is a pan European and global campaign which calls on shoe companies to intensify their efforts to systematically assess the risks in their business operations to ensure labour and human rights are respected globally.

This report aims to highlight better practices within the shoe and leather industry in relation to both environmental and labour issues. It is designed primarily to share good practice learnings, case studies and results for others to follow and to share with all stakeholders' examples of sustainable alternatives within the shoe industry. It is not designed to be used as a shopping guide nor does it attempt to rank or rate brands. The brands and cases included represent a snapshot of better practices, and it is not a ranking of the brands. Included cases represent partially a model of the holistic or integrated approach to produce more sustainable footwear. It aims to encourage producers and brands to do better within their own supply chains and to encourage national governments and the EU to strive for improved regulatory standards. At the same time, we hope that this report will also empower workers and trade unions by providing them with better practice examples to use in their own factories, regions, and supply chains.

The Change Your Shoes campaign hopes the cases and recommendations in this report will encourage companies and others to learn from the work being done by others, and that this information will allow greater cooperation between organised worker efforts and brands in moving forward on human rights due diligence.

### Objectives of the report

The report presents a short review of the better practices in the shoe industry. The practices we found were assessed according to how they improved the five key areas – working conditions, occupational health and safety, environmental impact, freedom of association and transparency. The research was conducted using data publicly available and follow up investigation in key cases.

The report's key objectives are to:

- Share learnings and case studies - to show cases of better practice for others to follow and to present to all stakeholders' sustainable alternatives;
- Encourage producers and brands to do better;

- Encourage national governments and the EU to strive for improved regulatory standards;
- Empower workers and trade unions with good practice examples to use in their own factories, regions, and supply chains.

The report does not aim to provide an objective and complete assessment of how these cases are achieving these goals nor provide a ranking of cases. There is no attempt to present this review as an "ethical shopping guide" to be used by consumers.

### What is Better Practice

In this report, we are looking for examples of better practices – primarily within European brands or brands producing for the European market – that show significantly higher standards in shoe production – from sourcing the raw materials and leather tanning process to the final production of the shoes.

The report focuses on five key areas:

1. Improving working conditions in all parts of the production supply chain (from tanneries to factories) including employment contracts, protection of vulnerable workers, working time etc.
2. Occupational health and safety (OHS) for workers in all parts of the production supply chain (from tanneries to factories).
3. Freedom of association - including cases of good industrial relations, effective resolution of industrial disputes, and support for trade unions and workers' rights.
4. Environmental issues including the use of toxins, water, and waste etc.
5. Transparency and traceability of the supply chain - including public reporting of audits, suppliers, grievance mechanisms, wages etc.

These five areas - described in more detail in Section Two - are chosen as representatives of the types – and scale – of changes needed to improve the often-appalling conditions of shoe workers (from tanneries to factories) and to encourage sustainable and industry-wide changes to the supply chains of companies in the shoe industry.

The cases researched cover specific areas of better practice while some attempt to cover the whole supply chain. Cases are not examples of compliance (with local, international or EU laws and regulations) but are examples where the brand or association/organisation has taken significant steps to develop innovative and outstand-



ing practices which provide or aim to provide significant positive impact for workers and their families in the shoe industry – including the local communities. All cases were examined – using their materials and follow up where relevant - for evidence of implementation on the ground.

## METHODOLOGY

### INTRODUCTION

Better practices in shoe production are understood as practices which express the ability of the industry to be sustainable for both the environment and for the workforce. This means production which does not compromise the human rights and living conditions of those involved in the supply chain or communities and workers living near the production sites where the raw materials and shoes are made. The concept of sustainability takes into consideration the well-being of those currently affected as well as the needs of future generations.<sup>1</sup>

Given the structural problems and inherently poor practices within the global footwear production model, this report recognises that better practice cases may only be a snapshot of a better way of doing a certain thing. Many of our cases – especially those involving large global brands – come with the inherent understanding that the case or practice highlighted does not mean an endorsement of all the brand's supply chain practices. Nor does it necessarily mean that better practices were found elsewhere in that specific supply chain. This report has also limited its analysis to primarily European brands and/or brands, labels, and multi-stakeholder initiatives (MSIs) involving production for the European market.

Due to various limitations – including time and availability of public information - the report strives to give a general overview of already existing ways to introduce positive changes in the shoe production. It cannot provide an in-depth analysis of presented cases. For each case included we also note some follow-up actions and recommendations to resolve missing issues or develop more advanced improvements.

## Process of selection

The selection of the cases was based on a critical review of submitted recommendations from different stakeholders. A semi-open call for recommendations of better practises was sent to various stakeholders in the shoe industry including human rights NGOs, trade unions, workers organizations and experts. The authors of the report conducted independent research into the cases submitted and into other potential cases. In some cases, more information was requested from the brand/organisation while some interviews were conducted. As noted previously, cases were analysed for a commitment to improving standards to levels well above industry norms in the five key areas of working conditions, health and safety, freedom of association, environmental impact, and transparency. Only cases that we believed were working towards this or had already achieved this in at least one area were included. The research was conducted from June until October 2017.

Some cases are focused primarily on one key area – for example health and safety or the environment, however we also looked-for cases which aimed at improving the whole supply chain. Several cases included in the report are 'pilot projects' or a study addressing an issue in an innovative way, these are included if they formed part of a wider strategy or if they were expected to be scaled up rather than a simple one-off project. The cases within the report have been divided into different sections where we present cases representing smaller brands, collaborations between NGOs/unions and big brands, multi-stakeholder initiatives and labelling or certification schemes. These represent a snapshot of the different types of initiatives within the footwear industry.

## What is not in the report

Cases showing evidence of simply encouraging compliance with minimum standards, national laws or EU regulations were excluded. As far as possible cases which we felt were focused on marketing themselves as 'ethical' without providing adequate evidence were excluded. Cases with no evidence at all were also excluded- in practice this has meant that several small brands with 'ethical' claims were excluded after reviewing information, as they lacked a commitment to transparency of information and evidence of concrete improvements for the workers. We have included mention of some of these brands in Section Three as examples of a growing trend towards 'ethical' production. However, we make several

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<sup>1</sup> Z. Fadhilah., T. Ramayah, Behind the green doors: What management practices lead to sustainable innovation?, *Procedia -Social and Behavioral Sciences*, No. 65, 2012 , p. 247 – 252.

recommendations to these types of brands for them to achieve higher standards – within their supply chain and in terms of providing transparency. Cases where we found excellent policies or written commitment to improving working conditions within supply chains but without any proof, description or process for implementation or impact were also excluded. In part because it was felt that their commitment was not strong enough to change practice on the ground to a large extent and partly because we are unable to fully assess the impact of their alleged policies and practices on the ground.

## SECTION TWO: The issues in the footwear industry

The following section gives an overview of the shoe industry and the five key areas where urgent action is needed to improve the conditions of shoe workers and encourage sustainable and industry-wide changes to the supply chains of companies in the shoe industry.

### Overview of shoe industry. What is wrong with the industry?

There were over 23 billion pairs of shoes produced in the world in 2016<sup>2</sup>. Today 87 % of shoes are made in Asia, with China as the main producer, producing almost two thirds of every pair of shoes sold in the world. When it comes to leather shoes, over 40 % are made in China, followed by Italy (6%), Mexico (6%), Brazil and India (4% each)<sup>3</sup>. Other shoe producing countries include India, Vietnam, Indonesia, Pakistan, and Bangladesh. Even though Asia plays the most major producer for the global market, European production remains central for European consumption. Almost 90% of the shoes produced in Europe are also consumed in Europe.

Footwear is a labour-intensive product involving a considerable amount of manual low-skilled work. For this reason, many European footwear brands outsource all or part of the manufacturing to countries where wages are low and the regulatory environment lax. In many of these countries, respect for freedom of expression is curtailed meaning that workers lack the ability to voice their needs and call out abusive practices. In these countries workers often lack the possibility to improve their conditions. Poverty wages, excessive overtime, excessive use of short term contracts (and other employment contract breaches) are common. This is compounded by the

myriad of occupational health and safety hazards facing workers. In general, these countries offer weak environmental rules as well, which benefits cheap leather production, a core part of the leather shoes supply chain.

In the production of leather shoes, the two most harmful stages, in terms of environmental impact and potential health risks for the workers - are tanning – making the animal skin into leather – and assembly in the shoe factory. Other issues relating to health and safety include the use of chemicals in shoe factories as well as waste discharge which affects the whole community. The term footwear covers a vast range of products made from many different materials including leather, rubber, synthetic and plastics materials, canvas, rope, and wood. The types of hazards therefore are numerous – ranging from toxic chemicals used in leather production, toxins contained in glues and plastics, the extensive use of low paid labour involved in stitching the upper part of leather shoes (‘uppers’) which includes the use of child labour and homeworkers as well as the environmental costs of production – waste products contaminating water supplies and agricultural land, fumes from factories etc.<sup>4</sup>

While the garment industry has been a focus for global campaigning and has seen the creation of numerous initiatives aimed at increasing standards, the footwear sector still lags in the adoption of better and more rigorous practices. Evidence of this has been found through the report where ‘better’ practice refers to practices which may not reach the higher standards of some initiatives in the garment industry. Generally, shoe brands also lag behind other industries in terms of the transparency of their supply chain – even within the so-called ethical shoe brands. This is even though within the garment industry, transparency and traceability remains low. Shoe companies need to intensify their efforts to systematically assess the risks in their business operations and to ensure labour and human rights are respected globally. Particularly regarding highly important aspects – such as living wage, occupational health and safety, freedom of association, transparency, and public accounting – a lot remains to be done.<sup>5</sup>

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<sup>2</sup> World Footwear 2017 Yearbook, 2017, <https://www.worldfootwear.com/world-footwear-yearbook.html>.

<sup>3</sup> Overview on footwear production, Change Your Shoes, <http://changeyourshoes-bg.org/overview/>.

<sup>4</sup> See: P. Portich, Footwear Industry, ILO, 29 March 2011, <http://iloencyclopaedia.org/part-xiv-42166/leather-fur-and-footwear/143-88-leather-fur-and-footwear/footwear-industry>.

<sup>5</sup> J. Spetzler and others (2016), Trampling workers’ rights underfoot, Change Your Shoes, online: <http://changeyourshoes-bg.org/wp-content/uploads/2015/06/BRAND-ASSESSMENT-Report-high.pdf>.



## Working Conditions

**Improving working conditions in all parts of the production supply chain (from tanneries to factories) - including existing living wage schemes, good contracts and employment relations, measures of protecting vulnerable groups like children, women, migrants, others.**

**Living Wages<sup>6</sup>:** The International Labour Organisation (ILO) has defined a living wage as a basic human right under their conventions and recommendations to the Universal Declaration of Human Rights Article 23<sup>7</sup>. Wages and benefits paid for a standard working week should meet at least legal or industry minimum wage standards and always be sufficient to meet basic needs of workers and their families and to provide discretionary income. A living wage should be earned in a standard working week (no more than 48 hours) and allow a worker to be able to buy food for herself and her family, pay the rent, pay for health care, clothing, transportation, and education, and have a small amount of savings for when something unexpected happens. The ILO developed the concept of a minimum wage to ensure that workers were protected against unduly low wages and according to the ILO:

“Minimum wages can also be one element of a policy to overcome poverty and reduce inequality, including those between men and women.”<sup>8</sup>

However, in the majority of shoe producing countries, the minimum wage has become a poverty wage. In Bangladesh for example, the current minimum wage of 5,300 Taka is far below the World Bank Poverty Index wage for Bangladesh.<sup>9</sup> Companies who only comply with the local minimum wage therefore are in effect paying World Bank defined poverty wages. The lack of a living wage means that many workers are forced to work long hours to earn

extra income and fear refusing work due to unsafe working conditions or taking time off. The low wages also mean that workers rely on loans to make ends meet and most have few savings to cover unexpected expenses. Better practice in wage payments is an urgent priority for workers in most countries.

**Acceptable hours of Work:** Linked to the issue of low wages is the excessive working hours of many workers in the shoe industry. To supplement their wages, extra work is done – often forced and often without the legally required overtime bonus. Excessive working impacts upon the family as well as the individual worker – affecting health and vulnerability to illnesses and accidents.

**Employment relations:** The employment relationship (ER) is the key to the protection of workers’ rights. Relevant labour laws, regulations and collective agreements are generally linked to the existence of an employment relationship between an employer and an employee. Often, if workers cannot prove they have an employment relationship with their employer they are unable to call for better conditions and are at risk of dismissal if they speak out.<sup>10</sup> Many shoe workers are employed without contracts at all – especially in tanneries - while others are employed on short term contracts – most do not receive proper information about wages, deductions, and social security payments. Finally lack of clarity in employment relations mean that workers face additional hurdles to organising – being unable to form or join trade unions.

**Protection for vulnerable workers and non-discrimination:** Migrants, women and homeworkers are particularly susceptible to problems arising from informal work or lack of clear employment status. For migrants, working undocumented creates the fear of losing employment if a worker complains, unclear payments or contracts in foreign languages mean workers are unsure of the correct salaries and vulnerable to prohibited deductions. As with many other labour-intensive manufacturing, the shoe industry has large numbers of female workers- particularly in homeworking. In India, one of the major leather producing countries, much of the leather work and tannery work is done by marginalised Muslims and “Dalits”. Home based workers – mainly female - have no guarantee at all of employment and most work without any form of official documentation. This often means homeworkers are not seen as part of the workforce and homework not recognized as part of a supply chain. The ILO Convention on Homework recognises that such workers, even though their workplace is the home, are part of

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<sup>6</sup> A Living Wage = A Human Right, Clean Clothes Campaign, <http://www.cleanclothes.org/livingwage>.

<sup>7</sup> ILO Conventions 95 and 131, ILO Recommendations 131 and 135.

<sup>8</sup> Minimum Wage Policy Guide, ILO, [http://www.ilo.org/wcmsp5/groups/public/-/-ed\\_protect/-/-protrav/-/-travail/documents/genericdocument/wcms\\_508526.pdf](http://www.ilo.org/wcmsp5/groups/public/-/-ed_protect/-/-protrav/-/-travail/documents/genericdocument/wcms_508526.pdf).

<sup>9</sup> Wage Struggle in Bangladesh. Factsheet, Clean Clothes Campaign, February 2017, <https://cleanclothes.org/resources/background/background-wage-struggle-bangladesh-december-2016>.

<sup>10</sup> The employment relationship, International Labour Conference, 95th Session, 2006, Geneva, <http://www.ilo.org/public/english/standards/relm/ilc/ilc95/pdf/rep-v-1.pdf>, p.6.

the workforce, who should be recognised as workers and entitled to the same rights as other workers.<sup>11</sup> Low piece-work prices are a factor in the continuing existence of child labour in home-based work. Some companies have responded to this by placing outright bans on home-working - however this is counterproductive - it denies women the opportunity for flexible work and pushes the practice underground. Better practices are required which addresses the problematic issues in homeworking, while recognising the importance of the work for families and seeks to improve their employment conditions and eradicate any child labour.

**Recognition of business practices contributing to poor working conditions:** The purchasing strategies of global buyers and the pressure to reduce costs often contribute to lower wages, wage violations, abuses by management and long working days for workers. Price pressure on suppliers is intense, which makes it increasingly difficult for workers to demand and facilitate wage gains, even where trade unions already exist. To ensure that working conditions improve - alongside health and safety standards - it is crucial that suppliers are adequately compensated for the costs involved in meeting compliance demands. This requires that pricing practices do not prevent suppliers from being decent employers. Global buyers must be sure that the prices they pay will, at the very least, cover payment of a living wage. At the same time, global buyers should also express a willingness to establish long-term relations with their suppliers. Lead times and factory capacity must be considered to ensure use of overtime does not become standard practice. Practical steps towards better practice include creating living wage benchmarks, limiting short term contracts, incentives, and support for suppliers to implement codes of conduct etc. As well as buying and pricing systems which reflect the need for increased labour costs and a commitment at the highest level to protecting and promoting labour rights and corporate social responsibility.<sup>12</sup>

## Occupational Health and Safety

**Occupational health and safety (OHS) in all parts of the production supply chain - including safety measures and audits for hazardous elements and materials used in process of production, independent audits of buildings, considering needs of women workers, etc.**

**Right to safe working conditions:** There are numerous risks within the shoe industry. Every day people at work are exposed to substances which can have short-

term health impacts such as: chemical burns, breathing difficulties, skin, and eye irritation, etc. There could also be long term effects such as cancer, liver and kidney disease, heart and lung diseases, skin disease and allergies.<sup>13</sup> Hazardous substances include a wide range of items used in the workplace especially in tanning operations. One chemical that is especially toxic is Chromium VI which can be formed in the tanning process when the process is not properly controlled.

**Factory conditions:** Throughout the production of certain types of shoes, workers are exposed to high levels of benzene, toluene, and other toxic solvents contained in the adhesives and coatings used in the shoe-making process. This exposure can cause anaemia, leukaemia, and other health problems.<sup>14</sup> Most countries have laws which regulate the air quality and temperatures of workplaces along with providing details of the personal protective equipment which must be provided to workers. However, poorly ventilated workplaces are the norm across much of India and China for example - dust, chemicals, and other processes (dyeing, sprays, cleaning etc.) all pose significant risk for workers. Many states also have regulations governing the labelling of chemicals and safety training for workers but often these regulations are not implemented properly nor monitored effectively. Most shoe companies claim to have policies governing the use of chemicals and standards on OHS for workers and workplaces - these are often monitored using audits. However even compliance with local standards and company codes is generally not enough to protect workers from hazards, illness, and accidents. Apart from the strengthening of health and safety regulations, monitoring and other better practice changes need to be taken to reduce harmful effects on workers. Highly toxic chemicals need to be replaced or highly limited.

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<sup>11</sup> The type of homework they do comes clearly within the definition adopted by the International Labour Organisation (ILO) in its Convention, No. 177 on Home Work.

<sup>12</sup> Tailored Wages UK, Are the big brands paying the people who make our clothes enough to live on?, Labour Behind the Label, March 2017, [http://labour-behindthelabel.net/wp-content/uploads/2015/10/TailoredWagesUKweb\\_1.pdf](http://labour-behindthelabel.net/wp-content/uploads/2015/10/TailoredWagesUKweb_1.pdf).

<sup>13</sup> Hazardous Substances in the Footwear and Leather Industry, A COSHH Guide, Footwear and Leather Industries. Health & Safety Committee, <https://british-footwearassociation.co.uk/wp-content/uploads/2014/03/COSHH-pdf.pdf>.

<sup>14</sup> M. S. Chen, A. Chan, China's "Market Economics in Command": Footwear Workers' Health in Jeopardy, International Journal of Health Services, October 1999, <http://journals.sagepub.com/doi/abs/10.2190/4P4Y-3LYP-P5BX-T22E>.



**Tanning:** One of the riskiest processes of leather production is the tanning phase – the process that turns animal skin into leather. One of the most problematic chemicals used is Chromium III, which is not a toxin itself. However, in certain conditions, particularly when tanning is conducted without proper care this in turn can produce Chromium VI which is a highly toxic, allergenic, mutagenic, and carcinogenic substance and can cause allergic contact dermatitis if in contact with the skin. Often tanning residues containing Chromium VI or other toxins are transferred to waste water, polluting the environment, and impacting on human health. About 80 – 90 % of leather is tanned using chromium, since chromium tanned leather is usually significantly cheaper and are more durable than vegetable tanned leather. However, as this report shows there are alternative methods available which are beginning to replace the use of chromium.

The presence of chromium endangers not only workers in tanneries, but also consumers worldwide as traces of chromium can be left in the final leather product. This can cause irritation on contact with the skin. New stringent restrictions were developed in the EU on the acceptable level of Chromium VI in shoes<sup>15</sup> and from May 2015, goods or articles containing leather parts that come into contact with the skin, cannot be placed on the EU market if they contain hexavalent chromium in concentrations of 3 mg/kg by weight or more.<sup>16</sup> The regulations apply to leather tanneries as well as manufactured products. In 2016, as part of the Change Your Shoes project, 64 pairs of leather shoes from 23 different companies bought within in the EU and Switzerland were tested for hexavalent chromium (Chromium VI). None of the shoes tested exceeded the threshold of 3 mg/kg of hexavalent chromium. This study thus indicates that the introduc-

tion of a legal limit of hexavalent chromium for leather articles has had a positive effect for consumers as compared to previous studies which found much higher levels.<sup>17</sup> However, companies should not limit their efforts to only guaranteeing safe products for consumers – it is imperative that they also work to guarantee occupational health and safety for all workers producing their shoes.<sup>18</sup>

## Freedom of Association

**The enabling right to freedom of association - including cases of good industrial relations, effective resolution of industrial disputes, proper promotion of freedom of association and support for trade unions and workers' rights.**

Freedom of association and the right to collective bargaining are basic human rights and core labour standards. Both are 'enabling rights'. This means that when these rights are respected, workers can use them to ensure that other labour standards, including a living wage, are upheld. Unfortunately, workers face many barriers to joining or forming a trade union and bargaining collectively. Many governments restrict, undermine, obstruct, or even outlaw independent trade unions. Employers - both suppliers and brands - often express a hostile attitude toward trade unions and frequently use a range of tactics to prevent unions from emerging, including intimidation, discrimination, dismissal, blacklisting and even physical violence. Brands need to take proactive steps to help prevent these trends and ensure practical respect for freedom of association is upheld. Practical steps include clear communication of policies supporting freedom of association and the right to collective bargaining for all stakeholders; training; issuing a right to organise guarantee to workers; promoting the use of union access agreements with suppliers; adoption of a credible and well-used complaints mechanism; and work to limit the use of short-term contracts, which are often a barrier to trade-union freedom.<sup>19</sup>

## Environmental impact

**Addressing the environmental issues in shoes and leather production – seeking to exclude toxic and hazardous substances, increasing environmental friendly materials and production processes.**

It is increasingly recognised that the footwear industry has an enormous negative environmental impact and

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<sup>15</sup> Commission regulation (EU) No 301/2014 of 25 March 2014 amending Annex XVII to regulation (EC) No 1907/2006 of the European parliament and of the Council on the registration, evaluation, Authorisation and restriction of Chemicals (REACH) as regards chromium VI compounds text with EEA relevance. <http://eur-lex.europa.eu/legal-content/en/txt/?uri=CELEX:32014r0301>

<sup>16</sup> A transitional period, during which products that exceed the threshold were still allowed to be sold, ended in May 2016. [https://newsletter.echa.europa.eu/home/-/newsletter/entry/2\\_14\\_chromium-free-leather-is-good-for-business-consumers-and-the-environment](https://newsletter.echa.europa.eu/home/-/newsletter/entry/2_14_chromium-free-leather-is-good-for-business-consumers-and-the-environment).

<sup>17</sup> A 2011 study by the Danish Ministry of the Environment found almost half of imported leather shoes and sandals contained chromium VI: <https://www2.mst.dk/udgiv/publications/2011/08/978-87-92779-22-9.pdf>

<sup>18</sup> L. Kernegger, Testing for Hexavalent Chromium in Shoes, Umweltschutzorganisation GLOBAL 2000, Friends of the Earth Austria, September 2016, [http://labourbehindthelabel.net/wp-content/uploads/2016/09/toxinPaper2016\\_EN\\_26092016.pdf](http://labourbehindthelabel.net/wp-content/uploads/2016/09/toxinPaper2016_EN_26092016.pdf).

<sup>19</sup> Tailored Wages UK, Ibid.

production can be highly toxic for workers, local communities and consumers. Results of laboratory tests conducted by researchers in 2013 show that more than two-thirds of the greenhouse gas emissions are generated during shoe production during the manufacturing phase and not in the sourcing of materials and in their actual use.<sup>20</sup> The fact that every single pair can contain 65 discrete parts that require 360 processing steps for assembly massively increases the environmental impact of footwear production. While for most “ecologically friendly” shoe brands, the materials used in shoe production – such as hemp, recycled rubber, etc. appear to be the main aspect of what makes the brand environmentally friendly, it is crucial to ensure that the manufacturing processes are also environmentally friendly. Indeed; “The eco-design of a product implies that different potential environmental impacts of diverse nature must be considered considering its whole life cycle, apart from the general design criteria (i.e. technical, functional, ergonomic, aesthetic or economic).”<sup>21</sup>

**Leather production:** Leather is a material with a huge environmental impact. Not only in the rearing of the cattle used for leather but also in production practices. Tanneries are indicated as the fourth biggest polluters out of a study of various industries, according to the Pure Earth and Green Cross Switzerland in their 2016 Annual review.<sup>22</sup> In addition to the use of chemicals and resultant pollution, leather tanning also uses huge amount of water – reducing the available water for the local communities. As mentioned earlier, the second stage of tanning in which raw hides are converted into leather is a cause of the highest pollution because of the extensive use of chemicals and possible appearance of Chromium VI. Dangerous exposure to Chromium VI, largely depends on whether appropriate measures for prevention of its formation are taken.<sup>23</sup> Many water-soluble chemicals remain unabsorbed by the hide, thereby passing into the waste. One partial solution to inadequate control of chromium, could be vegetable tanning which can be less harmful than chrome tanning.<sup>24</sup> The other solution is using leather alternatives – however these can also have a negative environmental impact.

**Waste management:** In terms of recycling, the recycling of shoes can be challenging due to the complex mixture of materials used in shoes production. It is estimated that about 95% of the shoes consumed are landfilled every year.<sup>25</sup> Reducing waste and increasing recycling methods need to be factored into the design of shoes as well as packaging, and transportation.

## Transparency

**Transparency and traceability of the supply chain - including examples where brands or factories are making audits, suppliers, grievance mechanisms, wages, working conditions public.**

The global shoe supply chain suffers from well-known and widespread problems with poverty wages, poor working condition and use of toxic chemicals and heavy metals. However, it is virtually impossible to know exactly where a given pair of shoes are produced and under which condition for workers and the environment. This lack of transparency makes it very difficult to hold specific producers and brands accountable. Consequently, the appalling conditions are not being sufficiently addressed and workers and the environment continue to suffer.

**Legal frameworks:** Publishing supply chain information is consistent with a company’s responsibilities under the UN Guiding Principles on Business and Human Rights (UN Guiding Principles), a set of guidelines that lay out the steps companies should take to “identify, prevent, mitigate and account for” the adverse human rights impacts of their business operations, and to regularly report on progress made.<sup>26</sup> In addition, there is a growing number of national laws which require increased public reporting on supply chains. For example, the California Transparency in Supply Chains Act of 2010; “sweat-free” procurement laws adopted in some US cities and states; the UK Modern Slavery Act; and the French corporate duty of vigilance law.

<sup>20</sup> S. Goldenberg, Running shoes leave large carbon footprint, study shows, The Guardian, 23 May 2013, <https://www.theguardian.com/environment/2013/may/23/running-shoes-carbon-footprint>.

<sup>21</sup> M. Herva, A. Álvarez, E. Roca, Sustainable and safe design of footwear integrating ecological footprint and risk criteria, Journal of Hazardous Materials, Volume 192, Issue 3, 15 September 2011, p. 1876-1881.

<sup>22</sup> See more: The World’s Worst Pollution Problems 2016: The Toxics Beneath Our Feet, Green Cross Switzerland, Pure Earth, 2016.

<sup>23</sup> L. Kernegger, Ibid., p. 13.

<sup>24</sup> V. Raaj, S. Kant Prasad, A. Pieper, Walk a mile in their shoes. Workers’ Rights Violations in the Indian Leather and Footwear Industry, SÜDWIND e.V.-Institut für Ökonomie und Ökumene, August 2016, p. 15.

<sup>25</sup> M. James Lee, S. Rahimifard, An air-based automated material recycling system for postconsumer footwear products, Resources, Conservation and Recycling, Volume 69, December 2012, Pages 90-99. <http://www.sciencedirect.com/science/article/pii/S0921344912001693#fig0005>

<sup>26</sup> J. Spetzler and others, Ibid.



Greater transparency would identify the different actors within each supply chain, and hold all levels of the shoe industry responsible for upholding human rights. Precise state guidance and legislation is needed to make sure brands make supplier information public and expand the scope of information to also include audit reports and corrective action plans.

### The global footwear industry supply chain:

1. Growing, ginning, trading of raw materials (e.g. hides, cotton)
2. Spinning, knitting, and dyeing OR tanning and dyeing
3. Manufacturing and footwear Assembly
4. Warehousing, Shipping
5. Retail
6. Using, repair and waste

Transparency begins with company awareness of its supply chain. Publishing names, addresses, and other relevant information about farms, plants and production sites which show from where raw materials are sourced as well which factories produce for the company. Being transparent about the places of the production as well public disclosure of relevant evidences and audits reports is crucial.



## WHY IS TRANSPARENCY IMPORTANT?

**Compensation:** When the Rana Plaza factory building in Bangladesh collapsed in 2013, more than 1,100 garment workers were killed. In order to seek compensation, families had to pick out the labels of big name brands from the rubble. This is because information about which brands were making clothes at those factories was not publicly available. In the horrific event of another catastrophe like Rana Plaza, transparency will allow compensation to be paid to workers and their families much more quickly.

**Safety:** Transparency will help prevent such tragedies happening in the first place. With public accountability on factory and tannery inspections, proper follow up from factories and brands is much more likely. It will also help workers to raise concerns. If there is a problem of safety, workers need to know which brands are buying from that factory so they can tell them about the problem.

**Wages and employment conditions:** Knowing the average wages of workers on different grades within a factory and across similar factories would allow for a union to scrutinise whether wages are fair and enough to live on. Elsewhere in the shoe supply chain, women homeworkers play an essential role stitching leather uppers for shoes sold on European high streets. But they are often invisible. Brands

must identify and recognise homeworkers and give them the same rights as any other workers.

**Union rights:** If brands demand information on unions and collective bargaining agreements in supplier factories it will send a clear signal to factories and producer countries that the brands support the workers' rights to empowerment. With more information publicly available, unions and human rights defenders will be able to identify brands' suppliers, inform and organise their workers to ensure they are getting fair wages and conditions.

**For consumers:** The lack of transparency contradicts the United Nations Guidelines for Consumer Protection that states the consumer's right to be informed about the product they buy. Having information publicly available will allow a concerned customer to check where and under what conditions a brand makes its shoes. Transparency in terms of chemical labelling can also enable consumers to protect their own health by choosing shoes that do not contain toxic chrome and chemicals. Customers can make informed choices and hold brands to account. Consumer organisations and other stakeholders can investigate and verify claims made by brands on their efforts to ensure fair and safe conditions.

## SECTION THREE:

### Cases of better practices

Cases included in the report are divided into four main categories – cases from small so-called ‘ethical brands’ which often position themselves as environmentally friendly; collaborative partnerships between NGOs or other stakeholders and brands; cases from multi-stakeholder initiatives; and finally, cases from labels or certification bodies. The reasoning behind this division – rather than separating cases according to the key issue they touch upon (for example freedom of association or chemical safety) - is to highlight the role of the origin of the better practice and to usefully sort cases which can often touch upon a variety of different issues and practices.

## BRANDS WITH AN ETHICAL ETHOS

### INTRODUCTION

The review is not a ranking or rating of so-called ethical footwear companies. This selection has no ambition to be a representative sample of the companies who include in their mission responsibility and concern about workers and the environment. It presents a few examples of those who work towards a more sustainable supply chain and product, defined by ethical and fair production and/or ecological materials grown without harm for people, animals, and environment.

### Model: A holistic or integrated approach

There are plenty of ways to fulfil an ethical ethos, and we observe how different weight is given to ensuring ecological, organic, certified materials, or fair conditions and social compliance, in production and in countries with a high risk of human rights abuses or low environmental standards. We have sought to find different practices which present an integrated approach and are transparent enough to reveal more than a simple commitment

to ‘ethical’ production. We have striven to find well documented and potentially replicable cases for different types of enterprises.

There are many brands with an ethical mission and vision, which appeal to consumers. We mention below some of main trends we observed in the sustainable footwear market. These categories represent different types of brands, who have only focused on one of the elements in the integrated approach we were looking for and/or who lack transparency.

### Focus no 1: Sustainability of materials

One of the key environmental and social risks in shoes production comes from leather production, which can be highly harmful for workers, especially in tanneries and for the local environment, if there is no proper waste and water management or control over hazardous substances and materials.

Many vegan brands address issues including care for the environment and animal rights in shoe production. This can result in production which does not involve any materials originating from animals. Often these brands use sustainable or recycled materials. However, for example, vegan companies not using leather does not necessarily represent an integrated approach which could be assessed here as a better practice for the whole industry. For example, the organisation PETA offers a label called “PETA – Approved Vegan” for products and companies, which states that “only some of them [PETA approved brands] are sustainable, innovative footwear”<sup>28</sup>. Vegan shoes are not always a synonym for sustainable shoes nor do they necessarily bring about positive benefits for workers. They can however be part of a sustainable approach. For this reason, we have excluded any brands which only focus on the vegan aspect of production

### Focus no 2: Minimalistic approach

A minimalistic approach to shoe production can improve sustainability. Less materials, less waste, shorter supply (and selling) chains as well as reduced transportation of materials and products can positively affect impact. As much we can reduce the impacts, we still need to have a systematic way to control those few steps. Responsible supply chain management requires various decisions and actions of the company to control, mitigate and respond to any negative impacts on the environment, workers’ rights, building

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<sup>28</sup> PETA – organization working for animal rights, focusing on areas where animals suffer the most intensely and addressing it through education, campaigning, public events, research, etc. Organization created a label for clothing, accessory, sports, home furnishing products called “PETA – Approved Vegan” where “vegan means no animal derived products, including but not limited to fur, leather, silk, down or wool”. See more: Peta-Approved Vegan Logo, <https://www.peta.org/living/fashion/peta-approved-vegan-logo/>.



safety and freedom of association in the production places for all components.

For example, a brand that keeps production in Europe or in one place, with limited elements outsourced from low risk countries is not in itself enough. While this can be a good way to produce sustainably, as we can see with many small brands, presented further, some of the brands we assessed are not included because they fail to combine their efforts with transparency.<sup>29</sup>

A lack of transparency was found in many case, especially, lack of information about production sites and risk assessments. Many companies which include only a declaration of production in countries complying with the EU regulations are not recognized as a better practice here – wages in many parts of Europe, especially in shoe production are often extremely low and working conditions and union access are poor.<sup>30</sup>

### Focus no 3: Mission:

As a third category, we have found brands who declare a holistic, ethical, sustainable approach but give little explanation, evidence, or external tools to implement the minimum standards of an integrated approach. To this category belong also those brands whose ethical claim is focused on charitable giving (offering a part of their profit to developmental or social projects), not necessarily even connected to the place of origin of their shoes.

Some of the companies declare fair production and use of “eco-friendly” material with no evidence. Transparency in practice means sharing information on materials

used, processes included, certification documents, audit reports and clear, searchable, information on suppliers list as well as wages. It is hard to find one example showing these, however some have made more steps than others towards this model. While transparency is an indispensable component of any ethical approach for the shoe industry, this often seems to be the biggest challenge for all brands presented below.

## CASE STUDIES

### Comprehensive supply chain management and premium payments

**Ethletic**, a German company has produced Ethletic Sneakers since 2010 as a result of a collaboration between partners from Germany and Pakistan, with materials from India and Sri Lanka approved by external certification systems such as FLO Cert, FSC and with the PETA Approved Vegan mark.

The company publishes some basic information about their suppliers and production processes through different channels including a blog connected to an online shop, interviews and personal testimonies of workers and material from visits to production sites. On the website, we find information on names, location and links to their main suppliers' websites which is a useful tool to assess their claims of fair and environmental friendly production.

Ethletic says that all sneakers are made in Pakistan by the Talon Sports company in Sialkot employing 12, 000 workers. Based on information disclosed by both Ethletic and Talon Sports company, working conditions have improved since the collaboration begun.<sup>31</sup> According to Ethletic, a Social Welfare Association for the workers and their families has been created and receives an additional 15% of the product price as a Fairtrade premium which is allocated to social projects. Talon Sports also states that it is part of a child labour monitoring system by the Independent Monitoring Association for Child Labour (IMAC)<sup>32</sup>, a non-profit organization that provides workplace monitoring services against child labour.

Ethletic states that the natural rubber used for the soles and as a glue comes from rubber tree plantations in Sri Lanka certified by the Forest Stewardship Council (FSC)<sup>33</sup>. According to Ethletic, it pays a premium of 0.50 Euro on top of the usual price per unit of reaped rubber. This is used in social projects for the commu-

<sup>29</sup> See Section One on methodology.

<sup>30</sup> As it is presented in several factsheets on living wage in garment industry in Eastern Europe and Turkey, some of them assessed as low risk countries in terms of labour rights, wages level and working conditions are not secured just by locating a production in Europe. See more: Clean Clothes Campaign, Stitched Up. Poverty wages for garment workers in Eastern Europe and Turkey, <https://cleanclothes.org/livingwage/stitched-up>.

<sup>31</sup> Talon discloses information about the working condition, grievance system for the workers and different international standards the company is following in its operations. More on the official manufacturer website - <http://www.talonsports.com>.

<sup>32</sup> IMAC, About IMAC, <http://www.imacpak.org/>.

<sup>33</sup> The Forest Stewardship Council (FSC), an international organization which promotes responsible management of forests, provides accreditation and third-party certification of forests' products. It focuses on environmental friendly forest management which also takes into account working conditions and benefits of local communities. See more: Forest Managements Certification, FSC, <https://ic.fsc.org/en/what-is-fsc-certification/forest-management-certification>.

nity. No information on the usual price is disclosed. The upper parts of the sneakers are made from organic cotton sourced from Fairtrade International certified producers<sup>34</sup> certified smallholder plantations in India called Chetna Organic<sup>35</sup> by the Rai Laksmi Cotton Mills, a Calcutta-based company from the same region.

## Recommendations

Although it has a higher level of transparency than most of the reviewed sustainable brands, Ethletic does not disclose these names and locations in a clear and searchable format, with information about updates. For instance, the exact name or names of the plantation(s) in Sri Lanka is missing as well other information about working conditions and workers.

While we welcome the payment of additional money to the factory and rubber plantation, the approach of using an additional premium to be used in social projects as a way to meet the needs of workers such as health insurance, education of children and ability to save could be achieved instead by paying a living wage to the workers. This could be a future direction for improvement and development.

## Material sourcing and wage levels disclosure

**Veja**, a French company produces athletic shoes and sneakers, both vegan and leather. All materials are sourced and manufactured in Brazil. Veja claims an integrated approach to changing footwear production by combining fair trade and ecology.

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<sup>34</sup> Fairtrade International, also Fairtrade Labelling Organization (FLO), is a non-profit, multi-stakeholder association. FLO owns and licensed FAIRTRADE trademark, which can be awarded to specific products, including food, flowers, cotton and jewellery. The FAIRTRADE Mark means that a product life cycle is certified and audited by FLOCERT, an independent certification body, against Fairtrade Standards, which in short ensure improved working conditions, and that producers receive the Fairtrade Minimum Price and Premium. See more on official website: <https://www.fairtrade.net>.

<sup>35</sup> This smallholder cooperative of 15 000 farmers is growing organic cotton with a seal of the Fairtrade International. They grow cotton only on part of their land, to not become a monoculture which is harmful for the local biodiversity - [www.chetnaorganic.org.in](http://www.chetnaorganic.org.in).

<sup>36</sup> Living Wage Series - Brazil August 2017 - In real per Month, Living Wage Indicator, <https://wageindicator.org/main/salary/living-wage/living-wage-series-brazil-august-2017>.

<sup>37</sup> FLO-Cert Social Audit Checklist, 2008, <https://project.veja-store.com/en/fabrication/>.

In terms of transparency, Veja discloses on their website, information on different aspects of production. This includes information on materials like wild natural rubber, organic cotton, through manufacturing processes and limitations. The organic cotton is sourced from ADEC (Associação de Desenvolvimento Educacional e Cultural de Taubaté), an association of cotton producers from the Taubaté, Northeast of Brazil. Veja states that it buys the cotton directly from 320 families from this association. Veja presents some challenges on its sustainable decision-making and limitations of their production. For instance, Veja explains how it decided to use cotton which did not fully meet organic standards, because of the use of some pesticides by the farmers who did not want to lose the entire crop to disease. Veja contracted to buy cotton from this farmer kept this agreement and has built a partnership to support long term relations. The company publishes a description of each pair of trainers about the materials used like JMesh (50% organic cotton, 20% jute and 21% recycled plastic), wild rubber from the Amazonian forest used for most of the soles, organic cotton or vegetable chromed leather which indicates product transparency.

Veja discloses some information on wage-levels, the amount of cotton bought each year and prices for cotton and rubber. This information can only be indicative as the data shown is for a set period and is not up to date. For instance, according to the figures given, factory workers earned 238 Euros per month in 2010, when Brazilian minimum wage for shoes industry was 205 Euros a month. However, an estimation of the living wage for Brazil starts with around 425 Euro a month for a standard family in 2015<sup>36</sup>.

Veja also states that 80% of the factory workers are members of the union “Sindicato dos Trabalhadores do Calçado e Vestuário de Picada Café e Nova Petrópolis”. The social audit report, conducted for FLOCert in 2008, however states that that “local union [...] represents workers living in 10 municipalities and working for about 30 factories in the region and [...] in fact is not active as a worker’s representative” and that “union representative does not have internal meetings with workers.”<sup>37</sup>

## Recommendations

Although, Veja presents some detailed information and recognizes the importance of such data, all available information is not up to date, but is from 2008, 2010 or 2013. The disclosure of Social Audit reports is not com-

mon practice and a very positive step, however the ones available are old and do not give details of the factory. We were not therefore able to follow up and find more current audits. No information was given on the new factory (2014) based in the state of Rio Grande do Sul, South Brazil except that “a social audit will be scheduled soon”. Current FLO certification of the cotton providers from ADEC is not verified positively based on information provided by FLOCERT<sup>38</sup>. There is missing information on suppliers like names and addresses in a searchable and clear format. Veja needs to urgently improve and update its information and provide fuller transparency.

Veja disclosed the wage level for factory workers, which is very positive step and is according to these figures above the minimum wage. However as explained above it is only half of the estimated living wage and the figures were only provided for 2010.

The company states that vegetable tanned leather can have negative environmental or social impacts and it admits also that is not fully aware of the entire supply chain of the leather used in their shoes. Further investigation and positive changes in tanning by Veja would be a significant improvement.

## Local sourcing and Fair-Trade accreditation

**Sole Rebels** is an Ethiopian company from Addis Ababa which has been present for many years on the European market. It states that the entire production process, all components, and materials are made in Ethiopia.

The company expresses its commitment to the community where production is based and recognizes that average wages in the industry are too low to cover the basic needs of the workers. It states that wages are negotiated mutually with workers, and that collective bargaining is assured for all workers. According to information on the company website, all workers receive full medical insurance and access to a doctor. Transportation provided gives a chance especially to the workers with disabilities to access a medical care. The company claims to pay more than other producers for the same work. No information on the exact amount is given and there is no national legal minimum wage in Ethiopia.<sup>39</sup>

The company is accredited by the World Fair Trade Organisation (WFTO)<sup>40</sup> which means that the entire

company, not just certain components, is certified as following Fair Trade principles such as opportunities for disadvantaged producers, transparency and accountability, fair ordering practices and payment, no child labour and no forced labour, no discrimination, freedom of association, good working conditions, capacity building, and respect for the environment.

Sole Rebels elaborates that it is crucial for their model to source all their materials locally. On one hand, it reduces carbon footprint, and on the other hand it supports local market of artisans and recycling traditions present in the country. Sole Rebels states that this local production brings “good jobs to the local community in the area of high unemployment and unfair working conditions”.<sup>41</sup> It started with recycled tires, inner tubes used for shoe sole and traditionally loomed materials and now also uses other indigenous and recycled materials like Ethiopian hems, hand spun organic cotton, artisan loomed fabrics, and footwear embellishments. Other materials used include Abyssinian leather, organic jute and Koba plant fibre. Although it explains the rationale behind using local leather in some shoe models, there is very little information on the tannery processes, which can be very harmful for the workers as well to the local environment.

## Recommendations

The exact increase of wages and references points used to increase wages is needed to assess the impact of its policies, especially, when there is no national legal minimum wage in Ethiopia.

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<sup>38</sup> According to the FLOCERT, ADEC since 2014 is not cotton producer certified by FLOCERT. See more: <http://www.flocert.net/fairtrade-services/fairtrade-certification/fairtrade-customer-search/>

<sup>39</sup> Ethiopia has no national minimum wage. Some government institutions and public enterprises set their own minimum wages: public sector employees, earned a monthly minimum wage of 420 birr (\$21). See more: <https://www.minimum-wage.org/international/ethiopia>.

<sup>40</sup> World Fair Trade Organization (WFTO), a global network of organizations, companies and institutions from 70 countries. Differently than Fairtrade International, WFTO is not product certification system. The WFTO Product Label is licensed by WFTO to its members by signing a labelling contract. The Guarantee system of following Fair Trade principles is based on system of self-assessment of the members, monitoring audits by WFTO approved auditor and peers visits every 2-6 years depends on risk category. See more: The WFTO Product Label, <https://wfto-europe.org/the-wfto-way/logo/>.

<sup>41</sup> Official website of Sole Rebels - [www.solerebels.com](http://www.solerebels.com).



The disclosure of detailed information on workers, teams involved in production which are shared online is a very positive step. However, more transparency would be recommended. For example, the provision of information in a searchable format, with information about the number of workers hired in different stages of production, gender, wages, and types of contracts. It is also important to share how often this information is updated.

## Use of innovative materials and waste minimisation

**Po Zu** is a British company, created in 2006, which produces leather and vegan shoes using production in Portugal. It seems to focus on minimizing harmful impacts and waste produced in the footwear and leather industries.

The company states that it recognizes the negative aspects of conventionally conducted footwear business, like low wages, dangerous working conditions, toxins used in production, long hours of work and vulnerability of workers. According to Po-Zu, their approach is therefore a combination of environmental friendly materials and fair working conditions in its only factory in Portugal, in Guimarães, which employs 70 local workers. Po-Zu states that all suppliers are informed about the sustainable approach of the company and social compliance they need to follow. The company refers to the Ethical Trading Initiative code, which is based on ILO labour standards.

The company reveals much information about production processes of different shoe models, from raw materials like cocoa husk collected in Sri Lanka, processed in Carlisle, UK and cut to be used as a part of shoe soles. The company also summarises how one model is produced in the Portuguese factory. The list of components is presented and entire procedure of footwear assembly is shown. All 18 workers who are responsible for manufacturing are named. Po-Zu states that the factory has a strict policy of a toxin-free working environment and waste recycling process, including water and off-cuts.

All leather is chromium free, tanned in Portugal. Po-Zu states that it recognizes the harmful impact of leather

production and develops designs without use of leather. Recently, the company has started manufacturing shoes using Pinatex, a new pineapple fibre. Coconut husk and locally sourced cork is used for insoles while natural latex is used as a glue.

## Recommendations

The company has stated that it wants to address the issue of low wages and poor treatment of workers - full disclosure about the level of wages paid to workers in their factory would be a real step forward. Similarly, disclosure of other wages, environmental standards of the leather production, and other materials is necessary. Another highly recommended improvement would be a disclosure of a full list of all suppliers with names, addresses, number of workers for all components used in the shoes, with information on date of update.

## Data on wages, gender composition and impact reporting

**Nisolo** is a small US based company selling direct to consumers globally through its website to keep process down by avoiding marks-up from retailers and agents. Its vision states that it aims to “push the fashion industry in a more sustainable direction”. Nisolo has, according to its website, one owned factory in Peru producing 88% of production and 89% of products, a ‘partner’ factory in Leon, Mexico producing 27% of production and 3% of products as well as independent artisans in Kenya and Peru.

Nisolo has produced an impact report<sup>44</sup> which gives details of its supply chain policies, its factories along with details of wages, working hours, gender segregated data. Nisolo states that it has based wage rates on paying a specific percentage above the Fairtrade wage requirements at the factory and have provided statistics and calculations. However, no details of the actual rate or Fairtrade rate they are basing their wages on are supplied. According to Nisolo, the average salary of Nisolo producers is 27% higher than Fairtrade wage requirements. The average annual income increase for all producers is 140%. Nisolo states that women have felt significant impact, reporting an annual income increase of 173% since joining Nisolo, compared to previous employment. Any affiliated factories are required to pay 27% above Fairtrade wages.

The website mentions that the company provides in-house financial literacy resulting in bank accounts for

<sup>42</sup> Po Zu official website, Our Ethical promise, <https://po-zu.com/pages/our-ethical-promise>.

<sup>43</sup> See more: Introducing Pinatex, Annanas Anam, <http://www.annanas-anam.com/pinatex/>.

<sup>44</sup> Nisolo, Impact report, <https://cdn.shopify.com/s/files/1/0277/9027/files/Impact.Report.Page.desktop.pdf?10005878194739932063>

workers, loans, and savings schemes for workers. According to the impact report; due to the financial literacy training program, 100% of Nisolo producers now have a bank account as compared to two years previously (undated report) when the figure was 10% prior to working for Nisolo. 42% of producers are “currently” contributing a portion of their monthly income to long term savings.

According to Nisolo, all workers are employed on stable contracts – it is unclear if these are permanent. This is contrasted to the situation reported by Nisolo in the surrounding areas where the majority of shoe work operates in the informal sector -Nisolo states that over half of its employees have never previously held a job in the formal economic sector. There is provision for paid holidays, time off, healthcare, promotional mobility, and training. The website also touches on gender data within the workforce and states that they plan to increase female filled positions from 28% to 35%.

Nisolo claims to use Leather Working Group (LWG) certified tanneries. It has also started using vegetable tanning processes via their new partner factory in Mexico. The company claims to source raw materials (i.e. leather) locally.

Direct impact on the lives of the producers of Nisolo products is reportedly assessed with biannual interviews and through comparing results to previous baseline assessments developed with third party experts. These assessments refer to elements of the United Nations Progress Out of Poverty and Human Development Index assessments. “We track changes in the following areas: home/land ownership, living conditions, economic well-being, savings and debt levels, access to the formal banking sector, education access for producers and their families, professional development, health and access to proper care, and social and psychological wellness”. Nisolo also claims to measure direct impact by analysing the effects of relationships with 3rd party suppliers in the local economies.

In October 2016, Project Just<sup>45</sup> stated that Nisolo is working to get a live camera feed on its website to show customers the environment its factory workers operate in (with consent from all Nisolo Peru employees). The company would also place a camera in its US office to share with Nisolo Peru employees. There is no evidence on this in their website. It is also employing a communications and social impact Fellow<sup>46</sup> in 2017. However, it is not clear how much of the Fellow’s work will be based on marketing and communication and how much will directly ben-

efit the workers. In addition, Nisolo has also included a focus on its pricing model in its information. However, no further information is available.

## Recommendations<sup>47</sup>

While this brand communicates on the impact its work and model has on its workers and provides gender disaggregated information which are very positive steps, the company does not provide the rates of pay and details of the Fairtrade benchmarks it uses. It would also be useful to ensure that the brand communicates its code of conduct as a minimum and reports on the environmental impact of its supply chain. The use of an impact report and baselines studies for evaluation are positive steps to monitor impact and change, reference should also include ILO standards and ensure freedom of association and unionisation at the two factories. Nisolo also needs to improve on its monitoring of tanneries.

## BRAND COLLABORATIONS WITH OTHER STAKEHOLDERS

### INTRODUCTION

There have been an extensive number of pilot projects taking place – primarily in the garment sector – but also to a very limited extent in the shoe sector between big brands and civil society organisations. These generally take the form of collaboration between a brand or large retailer and a local NGO. Active collaboration on concrete activities between trade unions and brands is rare. Some projects are worthwhile. Examples include those where labour rights NGOs come into the factory to give training on labour rights standards (especially in countries like China where independent trade unions are barred); pilots establishing health and safety committees with local NGOs, etc. However, many projects have a limited time-frame and when they finish there is little sustainable long-term change. They also often do not touch on the roots of the problems (such as union rights repres-

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<sup>45</sup> Project Just, Brand: Nisolo, [https://projectjust.com/brand\\_nisolo/](https://projectjust.com/brand_nisolo/).

<sup>46</sup> Communications and Social Impact Fellow (Peru), Nisolo, <https://nisolo.com/pages/communications-and-social-impact-fellow-peru>.

<sup>47</sup>How we operate, Nisolo, <https://nisolo.com/pages/ethically-made>; Nisolo - Final Profile, Project JUST, <https://drive.google.com/file/d/0B5wkVXqX-JoGDd0ZzN1pidlFzd0E/view>.

sion). Another issue is that for the most part these projects are not made public and the results and impact on the lives of workers are not scrutinised.

A lasting solution to the endemic issues in shoe production and leather tanning – from working conditions to environmental harm will only be solved by key stakeholders – including brands, suppliers, unions (local, national, and global), employer federations, civil society, and governments – working together. This needs trust and partnership to be established over time. Transparency – internal and external is also key. It is vital that brands play their part in initiating partnerships with corporate and labour stakeholders. Vitally important in all of this is the engagement of workers and their organisations in the design and implementation of any such projects. Practical steps include a focus on long term change, partnership with independent trade unions; the core involvement of workers, collaboration among and with other brands; membership of credible MSIs; along with disclosure of supplier lists and a commitment to greater transparency.<sup>48</sup>

## CASES

### Mapping of the supply chain and homemaker

In 2016, the UK company -Pentland Brands<sup>49</sup>, began work to address the issue of homeworkers in their supply chain through a project in one key leather producing part of India's Tamil Nadu region, the Ambur-Vaniyambadi-Ranipet area with the local Indian NGO Cividep and Homeworkers Worldwide in the UK. The first phase of the project (completed) was to understand the supply chain and the part played by homeworkers in the production process. The second stage, currently under development, is to put in place a pilot scheme which ensures that homeworkers receive their rights and entitlements and that there are operational systems designed to support this.

The project focuses on working conditions (including OHS) as well as employment relations, representation, and the needs of workers rather than focusing on one specific issue. At present, the project is confined to one supplier and their supply chain. However, the project recog-

nizes that once a practical system has been developed to ensure that homeworkers are treated as recognized workers, it hopes this can be replicated throughout supply chains where homeworkers are utilized. Both Pentland Brands and the NGOs involved hope that through knowledge sharing with other brands and the supplier community the system will be universally adopted. The situation of homeworkers in Ambur is a good example of the role that these workers play in the production process and the need to recognise this part of the workforce. In collaboration with HWW, Pentland Brands has revised and strengthened its Homeworker Policy, which acknowledges the position of homeworkers and commits to seeking to accept them as part of the workforce by acknowledging their rights and benefits. Thus, making their employment more reliable, secure, and self-sustaining.

In April 2017, most of the mapping of the chain has been completed and the project is now mapping pay rates, hours worked and prices paid along the chain. The project recognizes that the involvement of homeworkers themselves in discussions is crucial. It aims to establish a form of permanent representation for homeworkers and with it, a self-sustaining model of implementation and monitoring.

Working with the local NGO the project has started to trace the supply chain, which in this case is quite short. The brand deals directly with the supplier who has their own factories but subcontracts some hand-stitching work to agents or intermediaries who distribute the work to homeworkers. The research looks at the pattern of distribution; the role of different actors in the chain and the value or price given to their work. Homeworkers are paid by the piece and rarely keep track of the exact number of hours worked, and establishing rates of pay is not straightforward. The homeworkers are also asked to contribute to the project by identifying their own priorities for change and action (for example the issue of health insurance and OSH protection are two issues flagged up in the first stage).

## Recommendations

The project is still at an early stage and there is little public information yet, although all partners have agreed a short summary that describes the project. Pentland refers to the project in its 2016 Annual review by noting that “We’re currently working with Homeworkers Worldwide, an NGO supporting home-based workers around the world, and CIVIDEP, to understand the role and situa-

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<sup>48</sup> Tailored Wages UK, Ibid.

<sup>49</sup> See: New Resources on Leather Footwear, 1 November 2017, <http://www.homeworkersww.org.uk/news/new-resources-on-leather-footwear>.



tion of the homeworkers in our supply chain in India”<sup>50</sup> It is not clear how much of the supply chain mapping will be made public. Pentland Brands publishes a list of their tier 1 suppliers which includes all factory sites assembling finished goods for retail, inclusive of approved subcontractors performing assembly processes such as cutting and/or sewing.<sup>51</sup> This list is updated every 6 months, but it does not include suppliers to their licensed partners, not-for-retail product, or suppliers and producers beyond tier 1.

As the project is still at an early stage, the final outcomes in terms of positive impact (for example on wages, benefits, contracts, and representation etc.) for homeworkers in Ambur (and later throughout their supply chain) are not yet clear. Pentland is known for having a positive attitude to collaboration with other stakeholders – for example Pentland is a founding active member of the ETI, has signed the Indonesia Freedom of Association Protocol, is a Better Work Buyer, is a founding member of The ACT Living Wages Foundation.<sup>53</sup> However, while Pentland’s code of conduct includes references to paying the living wage – this is not done in practice and there are limited living wage benchmarks.

## Addressing Pollution and leveraging brand responsibility

The **Ganges Leather Buyers Platform** aims to reduce pollution from tanneries along the Ganges River to provide economic, social, and environmental benefits for the tanneries themselves, as well as local communities and international markets. A number of UK headquartered companies (including ASOS, Jeffries, John Lewis, Matalan, New Look, Next, Shires Equestrian and Tesco) are working with the World Wildlife Fund (WWF) through the Platform while local partners in India are working with tanneries to encourage and facilitate improved practices.<sup>54</sup> The Platform writes that it supports companies by raising awareness of the impact of the tanneries; supporting businesses to act to reduce water risk and enabling businesses to collectively influence local tannery practices and water governance. One key aspect is the Platform’s focus on ensuring companies collaborate to leverage their joint supply chain in order to introduce the concept of water stewardship and support the tanneries in changing their processes. The project has funding until 2019, but it is hoped that the Platform will become self-sustaining and continue its work. It cooperates with local environmental groups on the ground as well as relevant government bodies.

The project has been running for around 18 months and so far, has eight brand and retailer members.<sup>55</sup> According to the project, it has visited and assessed over 40 small tanneries, facilitated government and business meetings, and linked small tanneries directly with those at the top of the supply chain from the UK.<sup>56</sup> Its recent impact report has showed significant positive changes in the water management of participating tanneries. The Platform’s approach is aligned with WWF’s Water Stewardship 5 step Ladder. The steps focus on internal company action including awareness raising internally and with suppliers, as well as external targets including scaling up of actions beyond individual supply chains to reduce risk and impact, connecting tanneries to join WWF India’s local initiatives to improve tannery practices and advocating improvements to policy and regulation in India.<sup>57</sup> WWF has project funding from partnership with HSBC that is paying for the work with local tanneries. However, the project expects that some future activities – expanding to other tannery locations in India will be funded by the brands themselves. This will include the application of the standard tannery assessment tool that is currently being piloted and the commissioning of consultants to replicate the one-to-one support with tanneries.

The GLBP focuses primarily on water and environmental issues- including work reducing impact on local communities. It does this through encouraging supply chain co-operation, best practice infrastructure, infrastructure innovation (e.g. pipe treatments of chemicals) and environmental better practice in tanneries (particularly the small ones that are not transparent in supply chain). In

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<sup>50</sup> Making things better. Pentland Group Corporate Responsibility review 2016, <http://www.pentland.com/downloads/cr-reviews/Pentland-CR-Review-2016.pdf>

<sup>51</sup> Pentland Brands, Tier 1 Suppliers List, August 2017, [http://www.pentland.com/downloads/tier-1-supplier/Pentland\\_Brands\\_Tier\\_1\\_supplier\\_list.pdf](http://www.pentland.com/downloads/tier-1-supplier/Pentland_Brands_Tier_1_supplier_list.pdf).

<sup>53</sup> Pentland brands, through membership of ACT, are signatories to an MoU with global union IndustriALL aimed at achieving living wages for workers in the global textile and garment industry supply chains.

<sup>54</sup> WWF mapped where leather made in the Kanpur area (where tanneries are clustered on the Ganges) and found that over 75% of the leather produced in Kanpur is sent to just ten countries globally with the UK being one of the top importers of this leather.

<sup>55</sup> ASOS, the British Equestrian Trade Association, Jeffries, John Lewis, Matalan, New Look, Next, Shires Equestrian and Tesco.

<sup>56</sup> Mitigating leather-related water risk through collective action, WWF, March 2017, [https://www.wwf.org.uk/sites/default/files/2017-03/24-03-2017%20Ganges%20leather%20buyers%20platform%20briefing\\_0.pdf](https://www.wwf.org.uk/sites/default/files/2017-03/24-03-2017%20Ganges%20leather%20buyers%20platform%20briefing_0.pdf).

<sup>57</sup> L. Lee, Tanneries, the Ganges and how WWF is driving change, WWF, 12 May 2016, <http://blogs.wwf.org.uk/blog/habitats/rivers-freshwater/tanneries-impact-ganges-wwf-working-drive-positive-change/>.

this aspect it shows a relatively holistic view of the related issues and the need for collaborative action and support for small tanneries (capacity and resources).

## Recommendations

As the project is designed specifically to focus on ensuring safe water for local communities and wildlife in the region, like many 'environmental' initiatives it fails to mention or deal directly with working conditions and labour rights. At the moment, there are no restrictions on the use of chemicals, only on the proper treatment of waste. Including standards relating to increased use of non-toxic substances would have a hugely beneficial impact on the long-term success of the project and longer term environmental protection.

## MULTI-STAKEHOLDER INITIATIVES

### INTRODUCTION

Overall MSIs have emerged to address complex issues and resolve circumstances that involve a range of stakeholders and need coherent and collaborative solutions. There is a huge variety of different types of MSIs covering a wide range of responsibilities and types of work – and indeed function within the global supply chain. MSIs began emerging in the 1980s in response to the growth of globalisation and the increasing attention given to labour and human rights abuses in manufacturing and other industries. They have also grown in part as a response or solution to the resistance from companies (and many governments) to legislating company behaviour and creating binding regulations on 'corporate social responsibility'. Some MSIs consist of brands and NGOs, others involve government actors while others place value in a tripartite structure involving companies, NGOs, and trade unions/work representatives. Of these types, the tripartite model is generally considered to be the most successful in effective change from the workers perspective while some business led MSIs remit and scope can be extremely limited.

This report has looked at a variety of MSIs including ones which involve certification schemes (usually based on common forms of auditing and ratings), membership bodies (e.g. ETI in the UK and the Fair Wear Foundation in the Netherlands) as well as roundtable and dialogue based groups (including for example the United National Leather Group) and organisations which undertake more project based work (such as the IDH.)

## CASES

### ILO cooperation towards better manufacturing standards

**Better Factories Cambodia** began assessing working conditions in the footwear industry in 2012 after 10 years of monitoring conditions in the garment industry. BFC launched its original project in 2001 as a direct result of a trade agreement between Cambodia and the U.S. which provided Cambodia better access to the U.S. market in exchange for improved working conditions. According to BFC, over 557 export factories are currently registered in the programme in 2012, Better Factories Cambodia assessed nine shoe factories, (20 percent of the total number of active footwear factories). BFC worked with these nine factories on a pilot footwear factory assessment program between March and December 2012. BFC monitors conducted assessments of labour compliance levels in those footwear factories, through management interviews, union and worker interviews, document reviews and factory observations.<sup>58</sup> The growth of the footwear industry in Cambodia meant that more attention has been placed on the footwear industry. According to the BFC:

"Buyers and BFC believe that if BFC and other stakeholders in the industry are involved early in the development of the industry, Cambodia may avoid some of the problems associated with the footwear industry in other producing countries, such as industrial relations challenges, chemical safety issues and other occupational safety and health problems."<sup>59</sup>

Overall BFC undertakes two key areas of work. Firstly, it monitors and reports on factory compliance with national law and international standards (e.g. OHS, wages, working hours and overtime, leave, child labour and freedom of association and checks workers' exposure to chemicals through specialized air testing); and secondly it delivers a range of training programs and advisory services to workers and management to build capacity and increase organizational productivity. BFC factory monitors used

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<sup>58</sup> Better Factories Cambodia monitoring in the footwear industry, 30 January 2013, <https://betterwork.org/where-we-work/cambodia/>.

<sup>59</sup> Footwear Pilot Programme 2012, BFC, <https://betterwork.org/global/.../BFC-Footwear-Pilot-Report-FINAL-25-Feb-2013.pdf>, p.3.

a Compliance assessment tool (CAT) to assess working conditions in footwear factories covering core international labour standards and working conditions, which are drawn primarily from Cambodian labour law - compensation; contracts and human resources; occupational safety and health; and working time. Nine of the top ten areas of noncompliance found fell under occupational health and safety. Other issues found included contracts, low wages, excessive working hours, irregularities in benefits and payrolls etc. The results showed that more shoe factories were in non-compliance than garment factories – this is not in itself surprising given the years of work the programme has had in dealing with garment factories.

The BFC has committed to continuing its engagement in footwear only with factories that agree to a year-long relationship involving both monitoring and advisory services. All footwear factories that register with the programme will participate in an initial assessment. Based on areas of noncompliance identified, factory management and worker representatives will select the most pressing issues to resolve over the course of a year. According to the BFC, “from a factory standpoint, the greatest need from an organization like BFC is to help create awareness of issues in the factory and identify gaps to factory management.”<sup>60</sup>

In 2011, the Clean Clothes Campaign (CCC)<sup>61</sup> undertook an assessment of the ten years of BFC’s operation. While its assessment raised many critical issues – especially those relating to working conditions and worker grievances, within the project and the overall situation in Cambodian factories, the BFC went “further than most corporate-initiated monitoring efforts which usually fail to reflect on why fundamental worker rights issues pass under their auditors’ radars virtually undetected”. As CYS also believes; “training and education are prerequisites for creating an atmosphere where workers are regularly informed of their rights and can effectively and easily convey their concerns. According to CCC, “BFC presents a coherent, sector-wide approach”.<sup>62</sup>

BFC has a current policy of publicly disclosing some factory-specific compliance information including on critical issues, low compliance, and findings for unions compliance with strike requirements. New data is published quarterly on the BFC Transparency Database website where factories can also post information about their performance.<sup>63</sup> BFC monitors industrial relations and freedom of association in its core work. Additionally, it compiles lists of legally compliant; strikes along with violations, names of union

and federation (where available). It does not list factory, region nor outcome. Nor does it list final outcomes.<sup>64</sup>

## Recommendations

Overall the BFC received a positive response from many civil society groups in Cambodia, including trade unions who were initially sceptical. However, while the programme has grown to such an extent that it covers the majority of the garment (and shoe) industry in Cambodia – the Cambodian garment and shoe industry continues to have significant problems including frequent labour rights abuses and low health and safety standards. Indeed, Cambodia is now currently undergoing a period of severe repression against civil society – including trade unions and labour rights organisations.<sup>65</sup> Despite the focus on freedom of association, a 2015 independent impact assessment of the programme to quantify its impact on workers and firms, and to serve as the basis for identifying trends over time found that despite the efforts of the BFC and local campaigners almost a third of respondents also say that is “very likely” or “likely” to be terminated or fail to receive a contract renewal if they are involved in trade union activities.<sup>66</sup>

The publication of factory compliance data is very useful but it is not clear why there is no data on the levels of unionisation in factories and instead data on union compliance with strike legislation is published.

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<sup>60</sup> Footwear Pilot Programme 2012: <https://betterwork.org/global/.../BFC-Footer-Pilot-Report-FINAL-25-Feb-2013.pdf>, p. 16)

<sup>61</sup> Clean Clothes Campaign (CCC) is an international alliance dedicated to improving working conditions and empowering workers in the global garment and sportswear industries. It brings together trade unions and NGOs covering a broad spectrum of perspectives and interests, such as women’s rights, consumer advocacy and poverty reduction. See more at <https://cleanclothes.org>.

<sup>62</sup> J. Merk, 10 Years of the Better Factories Cambodia Project. A critical evaluation, Clean Clothes Campaign Community Legal Education Centre, <https://cleanclothes.org/resources/publications/ccc-clec-betterfactories-29-8.pdf>, p. 12.

<sup>63</sup> Transparency Database, BFC, <http://betterfactories.org/transparency/>

<sup>64</sup> Union Compliance List, BFC, [http://betterfactories.org/transparency/en/factory\\_strikes/view](http://betterfactories.org/transparency/en/factory_strikes/view)

<sup>65</sup> Brands must speak out about violations in Cambodia, CCC, 3 October 2017, <https://cleanclothes.org/news/2017/10/03/brands-must-speak-out-about-violations-in-cambodia>.

<sup>66</sup> Together with Indochina Research, Tufts University surveyed over 1,500 workers and 50 managers in 73 factories participating in BFC. Workers completing the survey were mostly female (83 percent), under age 30 (72 percent). <http://betterfactories.org/?p=11477>.



## Enforceable Binding Agreement

In May 2013, after many years of campaigning and the collapse of the Rana Plaza factory building in April 2013 the **Accord on Fire and Building Safety in Bangladesh** was established. The Accord is a binding instrument initiated by Bangladeshi trade unions and Global Union Federations together with labour rights groups. It has been signed by over 150 global fashion brands and retailers, the Bangladesh employers' organization, Bangladeshi trade unions and Global Union Federations. It is hoped that the Accord will now expand to include the footwear industry in its coverage. According to the Clean Clothes Campaign, one of the four witness signatories, the Accord has generated more than 100,000 documented safety improvements in more than 1,500 apparel factories, employing more than 2.5 million garment workers.<sup>67</sup> The second Accord, following on from the five-year first Accord extends the program for an additional three years. For workers, the new Accord, while not including every improvement the union and NGO stakeholders were demanding does feature improvements - including mandatory severance payments for factory closures due to safety issues, protections for union members who face retaliation from their employer when they advocate for improved safety, and enhancements to the dispute resolution mechanism. The new Accord will also focus on protecting workers' freedom of association rights under ILO conventions to organize factory unions as an important method of developing meaningful worker participation in health and safety programs. It also opens the door to a possible negotiated expansion of scope, to include related factories like footwear and cloth and thread factories.

What makes the Accord unique is that it is a legally binding agreement, supported by all key labour rights stake-

holders in Bangladesh and internationally.<sup>68</sup> Disputes are resolved in binding arbitration by the Permanent Court of Arbitration at The Hague and enforceable by court orders in brand home countries. The Accord requires the signatory brands to disclose who their supplier factories are. The Accord also requires independent building inspections on fire, electrical and structural safety, worker rights trainings, and a long-overdue review of safety standards. Additionally, the Accord makes garment fashion brands, together with their supplier factory, responsible for compensating workers during any closure for remediation and maintenance resulting from the inspections. The inspections are carried out by safety inspectors from international firms, and Bangladesh engineers.

According to many observers, the Accord is substantially different from "standard corporate-controlled and -financed CSR programs" in several important ways: including its legal status, independent inspections, and transparency of information whereby inspection findings, mandatory corrective action plans, and progress of implementing are "publicly reported and posted on the internet". In addition, the workers right to refuse unsafe work, and to organize for a collective voice are explicitly recognized in the Accord, and there are meaningful penalties set for violations of these rights.<sup>69</sup> Crucially, the Accord has a complaints mechanism through which workers, unions or brands may collectively bring a complaint against a factory for unsafe workplaces or worker victimisation. The Accord received 67 complaints up to October 2016, 24 of which were filed by unions. Several key cases involving allegations of union busting or dismissal of workers for their union activities were resolved through this mechanism.<sup>70</sup>

## Recommendations

The Accord has been included within this report as an example of the scale of cooperation and remediation possible through a carefully negotiated and binding agreement. At the moment, the Accord does not cover any footwear factories – despite the level of footwear produced by the Accord brand signatories and the wishes of the Accord witnesses and other stakeholders.

## Binding Agreement on freedom of association

Adopted in June 2011, the **Indonesian Freedom of Association Protocol** was the product of an 18-month

<sup>67</sup> Bangladesh Accord on Fire and Building Safety is renewed, Labour Behind the Label, 29 June 2017, <http://labourbehindthelabel.org/bangladesh-accord-renewed/>.

<sup>68</sup> Bangladesh Accord overview, Clean Clothes Campaign, <https://cleanclothes.org/safety/accord>.

<sup>69</sup> G. Brown, Bangladesh Accord extended three years – worker protections strengthened, proponents promote an "alternative to standard CSR programs", The pump Handle, July 18, 2017, <http://scienceblogs.com/thepumphandle/2017/07/18/bangladesh-accord-is-extended-for-three-years-worker-protections-strengthened-as-proponents-promote-an-alternative-to-standard-csr-programs/>.

<sup>70</sup> When Industrial Democracy Meets Corporate Social Responsibility - A Comparison of the Bangladesh Accord and Alliance as Responses to the Rana Plaza Disaster, [https://www.researchgate.net/publication/312503094\\_When\\_Industrial\\_Democracy\\_Meets\\_Corporate\\_Social\\_Responsibility\\_-\\_A\\_Comparison\\_of\\_the\\_Bangladesh\\_Accord\\_and\\_Alliance\\_as\\_Responses\\_to\\_the\\_Rana\\_Plaza\\_Disaster](https://www.researchgate.net/publication/312503094_When_Industrial_Democracy_Meets_Corporate_Social_Responsibility_-_A_Comparison_of_the_Bangladesh_Accord_and_Alliance_as_Responses_to_the_Rana_Plaza_Disaster).

negotiation process between Indonesian unions, factory management and international brands, including Nike and Adidas. The Protocol binds the parties to a set of standards and procedures to ensure that factory workers have the freedom to form unions and organize for their rights. While Indonesian law supports the right to freedom of association, the protocol binds the parties to further detail as to how this right will be respected in sportswear and footwear factories. It also requires brands to take direct responsibility and ensure workers' rights are implemented in their supply chains. Indonesian unions representing over half a million workers (70% female), have played a leading role in the protocol negotiations while the process was supported by several local and international NGOs including Jakarta Legal Aid Institute, the Play Fair Alliance and Oxfam. Major sportswear and footwear companies have signed the protocol - Nike, Puma, Adidas, Pentland, New Balance, and Asics - who source from over 100 Indonesian factories, which employ hundreds of thousands of workers.<sup>71</sup> The protocol is unique in the fact that it creates a legally binding agreement which forces both brands and suppliers to respect freedom of association in practice on the factory floor. It enables workers to devote time to union organising and ensures their safety while organising.

## Recommendations

While the protocol has seen some progress in developing better relations between unions and workers and brands commit to doing more, progress remains slow. Brands are still reluctant to work on concretising the second and third protocols (on wages and contracts) which had been foreseen and agreed during the negotiations. The number of brands signing up to the protocol remains low.

## Working toward living wages and improved working conditions

Formed in the Netherlands in 1999 by business associations, trade unions and NGOs the Fair Wear Foundation (FWF) is a multi-stakeholder organisation which works with brands, factories, trade unions, NGOs and sometimes governments to verify and improve workplace conditions in 11 production countries in Asia, Europe, and Africa.<sup>72</sup> The FWF Code of Conduct is based on ILO core standards and the principles: responsibility for the supply chain, internationally accepted labour standards and verification. As opposed to multi-stakeholder initiatives such as Social Accountability International, the

FWF is not a certification body, but follows a pragmatic process approach. The FWF uses different methods and processes including complaints procedures, internal and external audits, collaboration with local stakeholders and trainings. The FWF has also worked with the ILO Better Work recently on developing an 18-month pilot (Bangladesh and Vietnam) which began in June 2017 coordinate factory assessments, streamline factory capacity building and improvement processes, and facilitate cooperation opportunities for brand partners.<sup>73</sup>

FWF bases its work on a Code of Labour Practices which has at its core the eight core ILO standards and the UN Declaration on Human Rights.<sup>74</sup> Both the Executive board and the Advisory board is made up of representatives from garment and shoe supplier organisations, NGOs, and trade unions with equal voting rights. The Clean Clothes Campaign is represented in the board and in the Committee of Experts. FWF also limits undue influence from individual companies by obtaining funding from different stakeholder groups. FWF is thus substantially different from corporate-influenced initiatives such as Fair Labour Association (FLA) and the Business Social Compliance Initiative (BSCI). The nature of FWF and its audit methodology also makes its audits substantially different from the corporate-driven audits used in previous research.

Member companies publish annual reports on the compliance with the FWF standards and post them on their website. These reports reveal which brands they have been working under, the number of suppliers/producers and the countries, how many factories have been audited in each country, which violations of labour standards were identified, which improvements have been agreed on with the producer, and whether the improvements have been effective. Member companies keep a supplier register which is regularly updated and made known to the FWF. In its annual report, the FWF publishes information about which verification activities have been carried out with which members, which viola-

<sup>71</sup> Protocol shows promising signs for workers in Indonesia, Play Fair, 22 May 2012, <http://www.play-fair.org/media/index.php/2012/05/protocol-shows-promising-signs-for-workers-in-indonesia/>.

<sup>72</sup> Official website Fair Wear Foundation, <https://www.fairwear.org/about/>

<sup>73</sup> Better Work to collaborate with Fair Wear Foundation to improve garment factory working conditions, ILO, IFC, <https://betterwork.org/blog/2017/05/18/better-work-collaborates-with-fair-wear-foundation-to-improve-garment-factory-working-conditions/>.

<sup>74</sup> Principles include Employment is freely chosen; Freedom of Association and the right to collective bargain; No discrimination in employment; No exploitation of child labour; Payment of a living Wage and legally binding employment relationship.

tions of agreements in the work plans have occurred and which improvements have been agreed. FWF also provides public details of its funding sources.<sup>75</sup> FWF members are required to hand in an annual social report. Companies' social reports are part of FWF's requirements on brand transparency. FWF collects and publishes the reports, but does not verify their content before publishing them. The quality of the social reports is checked and reported on through the annual brand performance checks.

FWF's Brand Performance Check is a tool to evaluate and publicly report on the activities of FWF's member companies. During a performance check, FWF investigates the level of integration of social compliance into the core business practices of each of its member companies and assesses how the management practices of member companies support the FWF Code of Labour Practices (CoLP).<sup>76</sup> Brand performance checks are made public. Transparency is one of the seven sections in the Performance Check - members can earn 2 points for transparency: members who disclose production location to the public get 2 points. Members who publish Brand Performance Checks, Audits Reports, and/or other efforts that lead to increased transparency can earn 1 point. However, there are no actual requirements for increased transparency. Even the leader category has no requirement for factory disclosure.

The FWF verification relies on worker complaint mechanisms. Members of FWF partner networks and other interested parties have the possibility to file complaints to the FWF which assesses if it is related to the FWF Code of Conduct. The FWF is ultimately responsible for ensuring that the complaint is adequately being dealt with. Details of complaints – including details of remediation measures are publicly available on the FWF website.<sup>77</sup> FWF's complaints mechanisms is open to several parties: employees and their representatives employed by the factories supplying FWF members, by suppliers/factory management to complain about the way in which FWF procedures are carried out, or by NGOs and unions. However, there appears to be little in the way of a clear strategy as to how FWFs complaints mechanism

is contributing to an enabling environment for freedom of association -cases involving denial of freedom of association make up a significant number of these complaint cases and we would like to see how FWFs complaints mechanism is embedded in this broader picture.

## Recommendations

The FWF is primarily a body designed to enable brands to evidence robust compliance with a joint code. There have been issues raised around FWF's over-reliance on auditing (albeit generally rigorous auditing). It does not provide full transparency on audit findings to the public and does not require members to publicly disclose its suppliers. The FWF needs to ensure that there is a sufficient minimum level of transparency in order to be able to monitor and verify throughout the whole cycle of prevention to remedy. At the moment FWF is revising its policy on transparency but is slow to change in comparison to other initiatives and some brands.

What is also lacking now, is a yearly publication of all complaints received and found to be grounded, with the member brand involved and the state of affairs or result of the remediation. This information is crucial to assess the most common violations and to identify successful/non-successful remediation procedures. In addition the complaints mechanism should deliver full remedy to the workers. First it is important to identify what full remedy of the rights would look like, e.g. full payment of owed severance in case of factory closure. This should be included as starting point whether or not member brands achieve full remedy themselves or not. Partial remedy is a matter of negotiation and may not equate to full remedy, but may in the end be accepted by the complainant. This should be reported as partial resolution and not as a success under the mechanism. In case the complaint cannot be resolved fully, there should be agreement with the complainant on the way forward and/or on how to close the case. Approval of the complainant is important here.

While the FWF asks its members to commit to paying a living wage, and it is facilitating some interesting work in trialling methods to implement this. The foundation has established a relevant and transparent monitoring tool to benchmark a living wage and to assess the wage level in factories. However the FWF has, so far, no action plan with clear milestones and a time schedule for its members to systematically implement a living wage.<sup>78</sup> Requirements for members to ensure workers have knowledge of their rights do not go far enough.

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<sup>75</sup> Fair Wear Foundation, Ethical Consumer, <http://www.ethicalconsumer.org/researchhub/ethicalaccreditation/fairwearfoundation.aspx>.

<sup>76</sup> FWF Brand Performance Check Guide 2018, <https://www.fairwear.org/resource/fwf-brand-performance-check-guide-2018/>.

<sup>77</sup> Complaints database, FWF, <https://www.fairwear.org/?s=complaints>.

<sup>78</sup> Tailored Wages UK, Ibid.



One example of how the FWF is applied within a shoe brand is the case of the Van Lier Shoes, a Dutch brand producing in India, Bangladesh, China, Portugal which makes mainly leather shoes. Van Lier joined the FWF in 2015. In its first Brand Performance Check in 2016 Van Lier received a “good” mark. This means that the company was assessed as undertaking serious effort to implement the FWF Code of Labour Practices. Van Lier by its membership in FWF recognizes the interconnection between reasonable working hours, living wages, employment relationships, health working conditions and freedom of association in the factory and its business practices as ordering brand. Stable and long-term relationships with the suppliers are crucial element of the human rights due diligence in the supply chain. As an important element of corporate social responsibility Van Lier recognizes that a cooperation with the suppliers and connections between labour conditions and business practices

– like the order process and prices paid for products – are core aspect of further work. As stated in their Brand Performance Check, all suppliers of Van Lier were informed about the FWF approach and basic rules. The company reported that it has started working with suppliers on system of pricing in order to pay a living wage and are reportedly still in a process of calculating this. To follow up with all requirements, company started a risk analysis, systematic monitoring of standards, and an evaluation of the business operations impacts. A company reportedly implements human rights due diligence and recognizes the role of its purchasing practices in the social compliance in the suppliers.

### **Recommendations**

The company has introduced some initial steps toward systematic human rights due diligence in their supply chain, however more transparency and evidence on steps taken is required.

LINDSAY HENWOOD



## LABELS AND CERTIFICATION BODIES

### INTRODUCTION

There are numerous labels and certification systems, private and public, that monitor conditions in the footwear industry. Many cover the whole of the garment and related industries while others relate specifically to certain aspects of the industry – such as leather production or use of chemicals. Relevant chemical certification schemes and labels focus generally on limiting or removing unsafe chemicals from the end-product rather than limiting the effects of chemicals on workers involved in production. Often particular certificates refer to processes and systems complied to and resulting in products ‘free from’ toxic materials. Environmental or ‘eco’ certification applies both to limits on the use of environmentally harmful chemicals and processes as well as the impact on the environment – for example water use, water contamination, deforestation etc. ‘Green’ certification focuses on ensuring that production is done in conformity with standards on the use of recycled or natural materials as well as other environmental concerns. Generally, most schemes involve several key stages – initial testing, evaluation, review processes and monitoring/updating of reviews and checks. Many schemes are relatively transparent about how the work through these steps but reluctant to disclose actual details and specific results.

Some certification processes result in specific labels being applied claiming products have been made according to x or y standards – e.g. the Fairtrade label. In some cases these apply to both social and environmental standards – and as such include working conditions and wages. However, these types of certification schemes are very rare. Some of the best-known labels are often highly regarded by consumers and are used by brands for marketing their products to niche consumers while others are generally unknown outside of the industry. Certification is a useful process in general – with often rigorous standards and auditing systems. However, in many instances the standards in certification require only compliance with local laws and regulations and do not always aim to improve on these minimal conditions. In other instances, certification is provided with very little transparency as to how com-

pliance is monitored and enforced other than a reliance on auditing and self-declaration by suppliers.

It is now accepted that standards auditing schemes fail to assess the real situation and identify problems in the garment and footwear industry. In addition, commercial auditing largely outsources the responsibility for social compliance to suppliers. As a reaction to the failure of commercial audits, some companies have joined multi-stakeholder initiatives (MSIs) such as the Fair Wear Foundation (FWF) or the Ethical Trading Initiative (ETI) which emphasis, among other things, standard auditing practices. However, there still needs to be much more done to promote the implementation of better practices and improved standards for workers and improved auditing which includes worker participation, support for suppliers and transparency of findings and remediation measures could play a bigger role in this. Tragedies such as the Rana Plaza factory collapse have shown that auditing alone is not enough. Rana Plaza had notably been audited several times before it collapsed on 24 April 2013, killing more than 1,100 people, but no audit had detected the deterioration of the building.<sup>79</sup>

### CASES

#### Management of chemicals and health and safety

The focus of **Bluesign**® (Bluesign) is a certification system dealing with health and safety of employees in the textile industry, the management of chemical substances and related environmental concerns. Bluesign provides a system of guidelines and procedures for safe handling of chemicals and OHS standards as well as built in training (on the storage and handling of chemical products) and monitoring systems.<sup>80</sup> Its criteria are based on “Best Available Technology” concepts which ensure that each local partner or supplier must use the best locally available technology. The system is designed to support members/partners in implementing and continuously developing standards and ecological efficiency. According to Bluesign: “The independent bluesign® system pursues the unique approach to minimize the environmental impact throughout the production process. The so-called Input Stream Management ensures that instead of testing finished products bluesign® system is applied at the point where the production starts.”

According to Bluesign their system is based on five principles resource productivity; consumer safety; water emission; air emissions; occupational health & safety.

<sup>79</sup> Tailored Wages UK. Are the big brands paying the people who make our clothes enough to live on?, Labour Behind the Label, Clean Clothes Campaign, March 2014, [http://labourbehindthelabel.net/wp-content/uploads/2015/10/TailoredWagesUKweb\\_1.pdf](http://labourbehindthelabel.net/wp-content/uploads/2015/10/TailoredWagesUKweb_1.pdf).

<sup>80</sup> Occupational health and safety – improve working conditions, Bluesign, <https://www.bluesign.com/industry/bluesign-system/principles/occupational-health-safety>.



The bluesign system defines concrete criteria for each production level based on risk assessments including ingredients, manufacturing processes and the finished products.<sup>81</sup> Bluesign has developed a set of guidance for specific issues including approved chemicals, brand guidance and leather processing. In leather processing, it outlines a series of specific steps, chemicals, and usage of chemicals for safe tanning. Bluesign verifies compliance with the criteria through a screening including an on-site inspection. Re-screenings must be carried out no later than every three years. According to Bluesign the system includes testing as well as risk management on consumer safety issues, a global sourcing tool for fabrics and accessories which meet the highest resource efficiency and environmental protection criteria, constantly up-dated substances list (BSSL) as well as “trust and improved image at consumer level”. When labelling end products is required and possible, a separate bluesign trademark agreement must be signed as well as “approval of products by self-declaration and cross checking.”

According to Bluesign, the system succeeds when all members of the supply chain hold a bluesign system partnership. Brands are particularly important to Bluesign because of the influence they hold over the design, development, sourcing, manufacturing, and logistics of the product lifecycle.<sup>82</sup> It is not clear however, what happens if only one part of the supply chain is a Bluesign member or upholds its standards. Brands listed on the Bluesign website include - Lands End, Burton, Puma, Jack Wolfskin, adidas, Eileen Fisher and other outdoor brands. It is not clear if these brands use bluesign all production of for their garment or footwear or tanning processes. Manufacturers and chemical suppliers are also listed.

## Recommendations

As with the majority of specific chemical certification systems, bluesign should have far more well developed social standards relating to labour rights at work – the website refers to the UN Global Compact which falls well short of supporting ILO conventions and other codes. The rigour of bluesign monitoring systems and remediation processes is unclear. More information on this is needed.

## Self-assessment tools on sustainability

**The Higgs Index** is a suite of self-assessment tools for brands, retailers and producers of all sizes, “at every stage in their sustainability journey, to measure their environmental and social and labour impacts and identify areas for improvement.” Through using the different modules

and questionnaires, the Index is supposed to give a holistic overview of the sustainability performance of a product or company supply chain. The Index is not itself an MSI but has been developed by the Sustainable Apparel Coalition (SAC), a multi-stakeholder initiative of brands, manufacturers, NGOs, and others (including audit companies). The SAC is an MSI that has not been included in this report, however the Index, as a useful tool, is included here.

The Higgs Index comprises of online tools or “modules”. Members are asked to enter data about their business’ impact areas which then generates “standardized performance scores” that can be shared with current and future supply chain partners. Scores are anonymized and aggregated. Each Higgs Index module is comprised of questions developed by the SAC’s members, stakeholders, and experts, which are updated to address all corporate policies and practices, from foundation-level measures (such as basic compliance) to medium-level to aspirational-level (such as far-reaching sustainability policies). Higgs Index users accrue points for every policy or practice that they follow, and receive the highest number of points for positively answering the highest-level questions. Non-members, including the public, can access an Excel version of the Higgs Index

## Recommendations

The Higgs Index does contain comprehensive criteria and questions for assessing the supply chain. It asks questions about each manufacturing process including packaging and transport. It also includes a section on how company sourcing policies consider the needs of manufacturers. However, while the Index appears to be a useful tool it has not had a great deal of impact. In part, this is because of its comprehensive nature but to a large extent it is because of the relatively low standards of the SAC. This includes a very low level of commitment to transparency – about the use and results of the assessment of companies/manufacturers and overall an apparent reluctance to be transparent. In addition, the social and environmental data being collected is not publicly available and members do not release their own Higgs Index data.<sup>83</sup>

<sup>81</sup> How does it work, Bluesign, <https://www.bluesign.com/consumer/how-does-it-work>.

<sup>82</sup> Documents downloads, Bluesign, <https://www.bluesign.com/industry/infocenter/downloads>.

<sup>83</sup> M. Gunther, Despite the Sustainable Apparel Coalition, there’s a lot you don’t know about that T-shirt, 14 June 2016, <https://www.theguardian.com/sustainable-business/2016/jun/14/sustainable-apparel-coalition-factory-environment-water-textiles>.



While the Index may be a very useful tool, more is needed on ensuring that active changes emerge out of completing the assessment and ensuring that members make concrete changes – both in their supply chain and overall.

One example of use of the Higgs Index comes from Berghaus, a Pentland brand which writes that they are trialling the Higg Index to monitor sustainability across their supply chain. “The Brand Environmental Module has been an important tool in the development of the Pentland Brands’ corporate responsibility strategy, allowing us to identify gaps and areas of opportunity on which to focus. The module measures the impacts of the brand’s activities throughout product life cycles, including: material sourcing, product design, manufacturing, packaging, distribution, care and repair and end of use programmes”.

Source: Pentland, Making things better, <http://www.pentland.com/downloads/cr-reviews/Pentland-CR-Review-2016.pdf>, p. 24.

## Ecological and responsible production guidelines

**IVN Internationaler Verband der Naturtextilwirtschaft e.V. (IVN)** or the Natural Textiles Association in English is a business association of over 100 companies from all stages of leather and textile manufacturing that stand for ecological and socially responsible production. “As a business association, our role is both that of voice and facilitator for our members and our industry.”<sup>84</sup> The website lists mainly German brands, but also some suppliers and retailers as well as list of certifying bodies (European, Turkish, Indian etc).

IVN covers both the environment, social and labour standards and health and safety. IVN has developed comprehensive guidelines for both an ‘ecological’ and a ‘socially responsible’ production of textiles and leather. The qual-

ity seals incorporate requirements to ensure compliance with social standards. The goals are formulated and enforced for each particular seal or label. Consumers can see (on the website) what are the specific prerequisites for the manufacture of the final product. IVN also reports to engage in lobbying political institutions through its participation in the Task force on social standards and decent wages in the German Alliance for sustainable textiles – a working group under the German Federal Ministry of Foreign Aid.

There are three standards. One is Naturtextil IVN certified BEST which is for the textile industry and sets the highest requirements. IVN documents the entire production chain from both an ecological and social accountability standpoint. All standards are compulsory. This includes a commitment to organic materials and non-use of chemicals in production as well as ‘minimum social standards’.<sup>85</sup> The social standards applied in this Certification are based on core ILO standards and must also be followed in the second standard relating to leather. The labelling process also involves a clear commitment to labour rights including freedom of association.

The second label is specifically for leather: NATURLEDER (NATURAL LEATHER). IVN claims that NATURLEDER is Europe’s only quality standard for “sustainable leather.” Both the product and its processing steps are evaluated from different perspectives. Environmental footprint, individual hazardous substances as well as the disposal and/or possibilities of recycling are appraised and documented. Health related issues are an important criterion. These are evaluated both as they relate to persons involved in production and to persons using the product.<sup>86</sup> NATURLEDER specifies several basic requirements for all businesses pursuing certification. All manufacturing plants must, for example, have access to a two-tier wastewater treatment plant, regardless of whether their waste water is fed directly (without treatment) or indirectly via a wastewater treatment facility into surface water. GMOs or modified substances are to be avoided. As it is not possible to fully control these substances, they cannot be expressly forbidden, instead all chemicals used must meet predetermined specifications.

Wild animals or species threatened by extinction are banned as NATURLEDER products. Before tanning, skins are preserved and cleaned. This is done with cooling and salting; chemical preservatives are expressly forbidden. When dyeing the leather, vegetable dyes are encouraged but not mandatory and other dyestuffs must be

<sup>84</sup> Official website of the iVN, <http://naturtextil.de/en/home/>.

<sup>85</sup> NATURTEXTIL IVN certified BEST (IVN BEST), International Association of Natural Textile Industry, May 2015, [http://naturtextil.de/wp-content/uploads/2017/08/Richtlinie\\_IVN\\_Best\\_6-0\\_English\\_2015\\_11\\_10.pdf](http://naturtextil.de/wp-content/uploads/2017/08/Richtlinie_IVN_Best_6-0_English_2015_11_10.pdf).

<sup>86</sup> IVN Quality Seals, iVN, <http://naturtextil.de/en/ivn-quality-seals/>.

free of absorbable chemicals and heavy metals and conform to EU ordinances.<sup>87</sup> IVN guidelines forbid the use of chromium tanning; syntane and resin tanning agents with a high formaldehyde content. However, it does permit the non-mineral and vegetable tanning along with some traditional tanning methods (Sami) and restricts the use of chemicals. Among the plant based tanning agents those made from fruit are preferred. Plant-based tanning agents have been grown sustainably (e.g. reforestation programme) and their production must not threaten any endangered species or put at risk the ecological balance.

## Recommendations

IVN Naturleder covers both ecological and social criteria but while the guidelines are quite extensive in terms of chemical safety, they are vaguer on labour rights/social standards. While a great deal of information on the exact standards are provided there is no detail of the tanneries involved in the label – the list of suppliers is European rather than a list of member tanneries with IVN certificates. Members do not appear to include Southern partners. Not clear where tanneries are based nor how exactly system is monitored. There is a section on the guidelines for brands entitled ‘living wage’ however the content does not specify the payment of living wage at all. Rather it refers to ensuring compliance with local laws or industry norms.<sup>88</sup> It should be highlighted that this is not the same at all.

## Cooperation toward sustainable leather production

The Leather Working Group (LWG) calls itself a multi-stakeholder group. However it is predominately made up of member brands, retailers, product manufacturers, leather manufacturers, chemical suppliers with the addition of technical experts that have developed an environmental stewardship protocol specifically for the leather manufacturing industry. Its executive committee is also formed of businesses. The LWG states that it seeks to improve the leather manufacturing industry by creating alignment on environmental priorities, bringing visibility to best practices and providing suggested guidelines for continual improvement. Its auditing protocol for tanneries sets traceability guidelines for leather, and leather sourced from the Brazilian Amazon is graded on whether it can be traceable to supplying ranches. According to one study, the LWG’s processes are used

to audit about 10 per cent of the world’s leather and its members include around 25 per cent of the world’s footwear production.<sup>89</sup>

Rated leather manufacturers are listed with details on the LWG website. According to the LWG, one main aim is to work transparently. and it stresses the importance of transparency throughout the supply chain as well as the traceability of all raw materials.<sup>90</sup> The LWG has specific guidance for ensuring traceability on specific issues. For example, a revised environmental audit<sup>91</sup> requires companies “sourcing raw material in Brazil will need to demonstrate traceability to the slaughterhouse including the date of slaughter. Suppliers sourcing from Brazil will need to ensure that the meat packers, where the material originates, meet minimum acceptable criteria.”

The direct farms (within the Amazon Biome) should have been GPS mapped in at least one location by 5th July 2010 and have had their complete boundary shape registered by 13th November 2010; The farms should not have been involved in any form of deforestation in the Amazon biome since 5th October 2009.<sup>92</sup> The farms should not be involved in slave labour, invasion of indigenous lands and protected areas, or farms included in IBAMA’s embargo list<sup>93</sup> A signed declaration will be required from the slaughterhouse clearly demonstrating compliance with the above criteria. Those sourcing from the “other parts of the world” must be able to supply the Name of the slaughterhouse and Breakdown of slaughterhouses if relevant. However, it is unclear, from the guidance if there is any other evidence required other than a “signed declaration will be required from the suppliers clearly demonstrating compliance with the above criteria. “The

<sup>87</sup> NATURLEDER IVN certified (IVN Leather Standard) Version 3.0, International Association of Natural Textile Industry e.V., [http://naturtextil.de/wp-content/uploads/2016/05/ivn-richtlinien\\_leder\\_3\\_0\\_E.pdf](http://naturtextil.de/wp-content/uploads/2016/05/ivn-richtlinien_leder_3_0_E.pdf).

<sup>88</sup> About NATURLEDER IVN certified, <http://naturtextil.de/en/ivn-quality-seals-about-naturleder-ivn-zertifiziert/>

<sup>89</sup> International Institute of environment and Development (IIED), 2013: <http://pubs.iied.org/pdfs/13567IIED.pdf>

<sup>90</sup> <https://www.leatherworkinggroup.com/contentfiles/LWG-452.pdf>

<sup>91</sup> Version 2, 30 July 2017 (as dated on website) <https://www.leatherworkinggroup.com/contentfiles/LWG-457.pdf>

<sup>92</sup> A link to the relevant map is provided: [http://mapas.mma.gov.br/geodados/brasil/vegetacao/vegetacao2002/amazonia/mapas\\_pdf/cartas\\_imagem/mosaico/mosaico\\_a0.pdf](http://mapas.mma.gov.br/geodados/brasil/vegetacao/vegetacao2002/amazonia/mapas_pdf/cartas_imagem/mosaico/mosaico_a0.pdf). However it was not found at that link when searched (29 September 2017)

<sup>93</sup> ([www.ibama.gov.br](http://www.ibama.gov.br))

LWG categorises tanneries as Gold, Silver, and Bronze rated tanneries according to compliance with standards.

## Recommendations

The LWG focus is on the environment, however, closely intertwined with environmental standards are both the health and safety aspects of environmental issues for workers and overall working conditions and freedom of association. These are not mentioned at all. The LWG has been criticised for not covering these important aspects of production and instead leaving social /labour standards to brand initiatives alone. LWG does not cover wages, working hours or FoA/CBA, and is looking only to some extent at working conditions like health and safety. The results of these audits are not public nor does LWG have a process to mitigate or remediate.

The LWG is a group that would benefit from including in its members representation from civil society – both local (where production of leather is based) as well as global. This should include trade unions. It should ensure that its executive committee includes stakeholders other than those representing brands, suppliers, or manufacturers. At the moment the LWG states that it is an ‘online resource’ for all stakeholders in the leather industry – however there is no clear involvement of civil soci-

ety partners at all. Labour groups have stated that they have not been invited to participate in LWG activities or meetings in production countries such as India. This is a very damaging omission.

In addition, it is clear that brand companies should not rely only on the LWG (as currently working) to monitor tanneries but should also ensure their own monitoring. The LWG states that it is keen to develop transparency but does not yet disclose full information on its website.

## National “Eco-label” initiative

The **Austrian Ecolabel** was introduced in 1990 by the Austrian Environment Ministry. Originally awarded only for products, the label was subsequently extended to include services. The ecolabel is now awarded in three categories: for products, in tourism, and in education. The guidelines for awarding the Austrian Ecolabel resemble those for some other labels but in some instances are higher as they forbid the use of chromium tanning.<sup>94</sup>

The Austrian Ecolabel states that their guidelines for awarding products and/or services are subject to a “holistic evaluation” which uses the following key areas for evaluations:<sup>95</sup>

One example of a shoe brand using the Austrian Eco label is **!Think**, which is an Austrian company producing (and selling) in eastern Europe using leather reportedly sourced from European tanneries. One new line of shoes called CHILLI Schnürer is labelled by the Austrian Ecolabel and made with chromium free leather and without PVC and other heavy metals. !Think claims to have good working conditions and high occupational health and safety standard compliance as well as an integrated approach that cares about the social side of the production as much as the environment. It also states that it controls the hazardous substances and waste management in the production process. The company also uses natural latex, a renewable raw material with insoles made of 99% pure cork. The utilization of materials, environmental friendliness, and all packaging in made of recyclable paper and cardboard.

## Recommendations

The engagement of member companies in external labelling schemes is an important step towards sustainable production. However while the company shares its general approach there is not much information on suppliers or control systems. For instance, some information is published on leather which is vegetable tanned and from certified tanneries in Europe, however no names or exact locations are disclosed. Similarly, some more information and action would be necessary for other lines of shoes in terms of external control and/or transparency.

Source:

<http://collection.thinkshoes.com/en/about-think/brand> and Think! Magazine, Kopfing, 2015/2016, p.5. [http://collection.thinkshoes.com/userfiles/files/downloads/TH\\_Stammkundenmag\\_HW15\\_web.pdf](http://collection.thinkshoes.com/userfiles/files/downloads/TH_Stammkundenmag_HW15_web.pdf)



- Consumption of raw materials and energy
- Toxicity of ingredients
- Emissions (e.g. exhaust gases, sewage, noise)
- Disposal/recycling (waste, suitability for recycling)
- Packaging
- Distribution and transportation (as required)
- Quality, safety, longevity, ease of repair.

Chrome tanning is not included in any product with the Austrian ecolabel because of the risk of allergenic Chromium VI in leather products and the environmental impact associated with disposal of such leathers. In addition to chrome tanning agents, the Austrian Ecolabel also excludes the use of other mineral tanning agents such as zirconium, titanium, and aluminium salts. Approved tanning processes with vegetable and/or synthetic tanning agents etc. should also satisfy various standards including ones relating to water consumption, waste, hazardous substances etc. The label has a list of restricted substances which is updated every year. This list is based on the RSL issued by 'CADs' but containing tighter standards.

In addition to compliance with the Core Labour Standards of the ILO, the Austrian Ecolabel also requires compliance with the Jo-In Code, which is a code made up from the merger of different existing codes in one model code. It includes aspects of labour conditions and social criteria which go beyond those set out in core ILO standards.<sup>96</sup> The basic principles and rights with regard to working conditions as defined in the Jo-in Code<sup>97</sup> are similar in scope and standard to those of the Fair Wear Foundation. In addition, the standard mentions ILO conventions on wages (95 and 131) and states that; "Wages must be paid to the workers and their families to enable a decent livelihood. Wages shall be recorded in writing in a contract and penalties deducted from wages are not allowed. There is no record of actual wages paid however."<sup>98</sup>

Importantly, in order to become a member and use the Austrian Eco label, companies must also be a member of one of the following initiatives or the applicant or ensure that their products are certified according to: Fair Wear Foundation, Ethical Trading Initiative (UK) and audited by SEDEX/SMETA, SA 8000, GOTS or IVN Standards. Exceptions are allowed after consultation and appropriate documentations, showing that compliance with requirements are met. In general shoes with the Austrian Ecolabel must conform to comprehensive environmental standards, incl. lower water and chemicals consumption; be produced by workers who have job security and high standards of working; contain only small quanti-

ties of other chemicals or heavy metals which are hazardous to health or the environment; be made of chrome-free tanned leather and produced without PVC and per fluorinated chemicals.<sup>99</sup>

## Recommendations

The Austrian Ecolabel is the first (and only at the time of writing) Ecolabel that includes labour rights and working conditions as well as ecological criteria and thereby follows a useful holistic approach. It has high standards for compliance and is relatively integrated. However, some have stated that the social guidelines are weaker than the environmental standards. At the same time, the awarding guidelines for the Austrian Ecolabel are revised only once every four years. This means that they cannot be promptly updated to take account of new legislation pertaining to hazardous substances and that further critical substances cannot be added at short notice.

<sup>94</sup> For example Germany's Blue Angel and CADs: [http://newsletter.pfi-germany.de/pfi\\_nLoktober\\_2014/img/e\\_Austrian\\_Ecolabel.pdf](http://newsletter.pfi-germany.de/pfi_nLoktober_2014/img/e_Austrian_Ecolabel.pdf)

<sup>95</sup> The Austrian Ecolabel for Products, The Austrian Ecolabel, <https://www.umweltzeichen.at/cms/en/products/content.html>.

<sup>96</sup> "Jo-in" was a project between CCC, other NGOs, TUs and MSI to develop a common code as biggest common denominator. The project itself is ended but the code remains very comprehensive. See archived website at <https://jo-in.org/english/index.html>.

<sup>97</sup> Variation between draft Jo-In Code and Codes of Conduct of organizations participating in the Joint Initiative, <http://jo-in.org/pub/docs/JoIn-varns-in-codes-of-conduct.pdf>.

<sup>98</sup> Richtlinie UZ 65. Schuhe, [https://www.umweltzeichen.at/richtlinien/Uz65-Schuhe-Richtlinie\\_R1.2a\\_2014.pdf](https://www.umweltzeichen.at/richtlinien/Uz65-Schuhe-Richtlinie_R1.2a_2014.pdf), p.28-29.

<sup>99</sup> Umweltzeichen Schuh im Handel, The Austrian Ecolabel, [https://www.umweltzeichen.at/cms/de/produkte/bekleidung-und-schuhe/idart\\_1891-content.html](https://www.umweltzeichen.at/cms/de/produkte/bekleidung-und-schuhe/idart_1891-content.html).



RAOUL ORTEGA



## SECTION FOUR: Conclusions and recommendations

### RESEARCH FINDINGS

We found some exemplary cases in all sections. However, what is most striking is the lack of holistic approaches especially among the smaller brands.

The second most striking aspect was the low level of transparency and documentation among all cases - among the small 'ethical' companies and multi-stakeholder initiatives. Most rely on the good faith of consumers to trust their claims. While their claims are laudable, they do not show a proper appreciation of the need for transparency and the issues that arise in any supply chain.

### RECOMMENDATIONS

#### 1. Overall issues

##### Credibility

In order for brands – large or small to make credible claims to support environmental or ethical standards, it is imperative that these brands always include both ecological and social criteria

##### Supply Chain Structure

CYS sees that changes to the the supply chain structures of the majority of the assessed companies allow for meaningful human rights due diligence. This is essential to ensuring sustainable improvements in the footwear industry. Without action changes that support change on the ground by producers – such as increased lead times, fairer pricing systems etc there will be little improvement for the vast majority of workers and their families.

CYS is concerned that very few of the cases analysed have comprehensive business processes and practices initiatives in place which allow the identification of all potential and actual negative impacts on human rights. Needless to say, the identification of human rights impacts is a prerequisite for mitigation and remediation.

### Auditing and evaluation

CYS is concerned that the majority of companies, MSIs and labels rely on an audit approach to ensure compliance with their social standards. Experience from the garment industry shows that audits are not enough to assess the complete situation in factories. Social audits often fail to deliver as a tool for assessing code compliance, particularly in determining violations of freedom of association, excessive and forced overtime, abusive treatment and discrimination of workers. They often marginalise workers in process. Social audits are usually too short and too superficial – many auditors are not properly trained and audits are relied on too much without strengthening other mechanisms. Only a very few cases indicated that results of auditing are tied together with other business processes such as a company's purchasing practices. Few MSIs have clear available information on how audits and assessments will be remediated and revisions made. Fewer still reveal the results of the audits and follow up.

### Worker Inclusion

CYS urges that the companies systematically adapt and incorporate a worker-centred approach. Only a very few cases specifically include workers and worker feedback into the development of their practices and models. The principle of worker-driven monitoring should be added to any audits and all monitoring and auditing should follow good practice including for example the use of expert auditors (not commercial auditing companies), off-site interviews and the involvement of trade unions and NGOs.

Labour rights should be included in the requirements for all labels, including when the focus is on the environmental aspects of the production.

### Stakeholders and collaboration

CYS noticed a low degree of co-operation with stakeholders for many brands; however, such co-operation is a prerequisite for systematic change for workers in the global shoe production. To trigger lasting change, companies should intensify the local stakeholder inclusion within monitoring processes (e.g. workers, trade unions and NGOs). This includes many of the labels whose composition reflects a mainly business membership.

## Responsibility for supply chain

CYS is concerned about the outsourcing of social responsibility to business partners such as MSIs, auditors and suppliers. For systematic change to happen, the main responsibility and especially the financial burden should be shared by the buying company. Especially when it comes to mitigating breaches and remediating adverse human rights impacts, most cases do not show much evidence of a shared-responsibility approach. The report shows that audits are mostly complemented with Corrective Action Plans (CAPs). The responsibility to execute CAPs is usually passed on to the suppliers. Processes for mitigation and remediation must include specific actions of the buyer, since many breaches have their root causes in purchasing practices.

### Lobbying for improvements

The institutional systems for stringent implementation of the labour laws in the leather and footwear industry must be strengthened. Strikingly few cases showed an overall commitment to influencing industry wide change and calling on relevant governments (of producing and buying countries – including the EU) to improve working conditions and environmental standards in the footwear industry.

## 2. Working Conditions

### Homeworkers

CYS has concerns that vulnerable groups like migrant and home-based workers are not identified by the companies in order for these groups to get the special protection they need.

CYS sees a risk that the scope of implementing and monitoring social standards is not allowing for the identification of negative impacts on human rights. Only a very brands appear to be actively tracing subcontracting and the tanneries producing the leather for their shoes. MSIs and labels looking at leather do not usually include this aspect to their work and focus solely on environmental issues, but not on wages and employment relations and conditions.

### Grievance Mechanisms

CYS sees a lack of efficient, independent grievance mechanisms to identify breaches of social standards at most of the companies. Only a small minority of the MSIs analysed

have adequate focus on grievance mechanisms. CYS sees a high risk that violations of OHS at tanneries are neither identified, nor actively mitigated and remediated.

## Living Wages

CYS did not see any credible efforts to ensure the payment of a living wage. The vast majority do not give any concrete information about the amount of wages their workers received. While many MSIs mention the right to a living wage, their standards in fact reflect a commitment to paying at least the minimum. This is not good enough to actively reach living wage. A brand, MSI or label that explicitly mentions they are committed to payment of a living wage must actively show the results of this commitment. Little information is made available on the benchmarks and steps to implementing a living wage.

## Employment relations

Only a very small number of cases included assessments of the nature of contracts and employment status of the workers. Many shoe workers are employed on a part time, temporary, agency basis or are employed informally. It is vital that these workers are included in any programme of change and job security is improved and monitored. Limits should be placed on the use of agency and short-term contracts (as well as the over use of apprentice systems in relevant countries)

## 3. Health and Safety

Occupational health and safety should be actively ensured for all workers. Workers in leather and footwear factories must be thoroughly trained to handle hazardous chemicals and processes with adequate safety gear. Health issues among workers resulting from hazardous working conditions should be actively monitored by the workplace management in order to install suitable protective systems; management must bear the responsibility of the treatment of those affected. Healthy working conditions should be ensured with proper ventilation, hygiene, sanitation, medical care, adequate waste management, legally regulated work hours, etc.

Many cases focused on the external issues relating to health and safety – focusing on the environment and waste rather than focusing on the needs of the workers handling the chemicals. While many cases actively



sought the use of non-toxic chemicals, others provided stringent guidelines for continued use of toxic chemicals. In many of these cases, it was not clear how workers and management were trained to maintain high standards. Most labels looking at chemicals, air quality etc ignored the other aspects of improvements to worker safety – namely the involvement of workers and the creation of safety committees. Given the use of an auditing approach many cases, it is likely that standards may fall in-between audits. There also needs to be adequate resources provided and support given to enable smaller suppliers to implement many of the improvements (often costly) needed.

#### 4. Environment

While all assessed companies showed some awareness of hazardous substances; CYS has concerns that the main focus is limited to protect the environment and the consumers, not the workers. Existing EU legislation on chromium tanned leather is protective for the consumers, however it cannot solve all of the problems connected to chromium tanning. It is necessary to prevent the formation of hexavalent chromium from trivalent chromium during waste disposal during incineration of chrome tanned leather.

In addition, comprehensive environmental standards and monitoring are a pre-requisite for ‘ecological’ brands. However, this type of attention needs to be extended to the whole production chain including both the tanning and the production in factories and not simply one or the other.

The control and monitoring over the environmental impacts should include control over the working conditions, including occupational health and safety issues, freedom of association and grievance systems. Companies and others need to look beyond addressing the environmental footprint of raw materials look at the context and source, as well as who is producing them and how this affect the local environment, and how the used shoes will further affect the environment and people.

#### 5. Freedom of association

CYS is concerned that shoe companies and the majority of MSI's are not actively supporting FoA/CBA. Most of the companies are not at all aware about unionisation at its suppliers. Freedom of Association should be pro-

moted and protected by the industry at all costs. Collective bargaining with democratic unions and groups of workers should be adopted as a norm for decision-making within the factories. d. Unfair labour practices and illegal coercion should be strictly checked as common practices for union busting.

Workers should be allowed to organize for their rights without fear in factory spaces. Grievance redressal systems should be made functional at the factory level for addressing the concerns of the workers. Women should receive equal representation in all bodies formed for collective bargaining and workers' representation.

#### 6. Transparency

As mentioned several times, CYS is concerned about the extremely low level of transparency in the industry in general. The lack of information on working conditions and human rights due diligence activities in tanneries is especially worrying. Most MSIs and labels do not disclose the results of their audits and information on remediation. Smaller brands do not often disclose their suppliers. Furthermore, there is extremely low levels of information available on mitigation and remediation. CYS encourages smaller ‘ethical’ brands to begin a dialogue with external stakeholders – at the local and global level to gain advice on disclosing their supply chain and making improvements which match their vision.



GREG T



