



# Sustainable Leather Foundation's pathway to a traceable and transparent leather industry



**Pathway Paper 3 V1.3**

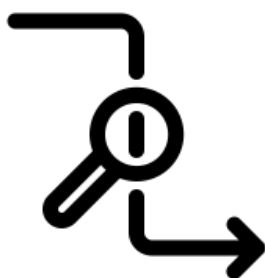
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### Introduction

The leather industry is comprised of complex value chains, working across different industry applications and across varying global concerns and sensitivities. Within these complex value chains, the potential for exploitation of people and finite planet resources is present. Society is better informed than ever before and consumers have an expectation that organisations involved in the manufacture of products operate ethically, with due diligence, and in a sustainable way that does not compromise the present and future of the people and planet in the process.

The Sustainable Leather Foundation (SLF) believes that traceability and transparency are fundamental elements to provide the leather value chain with the adequate socio-environmental safeguards and, from its inception, has held them as key priorities for improved environmental, social, corporate, and operational governance. This document will outline the Foundation’s position on how traceability and transparency support a more sustainable leather industry.

### What is Traceability and how is it different to Transparency?

**Traceability** is defined as “*the ability to identify and trace the history, distribution, location and application of products, parts and materials, to ensure the reliability of sustainability claims, in the areas of human rights, labour (including health and safety), the environment and anti-corruption*”.<sup>1</sup>

**Transparency** is defined as “*relevant information being made available for all elements of the value chain in a harmonized way, which allows for common understanding, accessibility, clarity and comparison*”.<sup>2</sup>

Through robust traceability it is possible to provide transparency and improve sustainability outcomes

<sup>1</sup> United Nations Global Compact Office, A Guide to Traceability A Practical Approach to Advance Sustainability in Global Supply Chains (New York, 2014). Available at: [https://d306pr3pise04h.cloudfront.net/docs/issues\\_doc%2Fsupply\\_chain%2FTraceability%2FGuide to Traceability.pdf](https://d306pr3pise04h.cloudfront.net/docs/issues_doc%2Fsupply_chain%2FTraceability%2FGuide%20to%20Traceability.pdf)

<sup>2</sup> European Commission, A Background Analysis on Transparency and Traceability in the Garment Value Chain (2017) [https://ec.europa.eu/international-partnerships/system/files/european\\_commission\\_study\\_on\\_background\\_analysis\\_on\\_transparency\\_and\\_traceability\\_in\\_the\\_garment\\_value\\_chain.pdf](https://ec.europa.eu/international-partnerships/system/files/european_commission_study_on_background_analysis_on_transparency_and_traceability_in_the_garment_value_chain.pdf)

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across multiple risks that are associated with the leather industry:

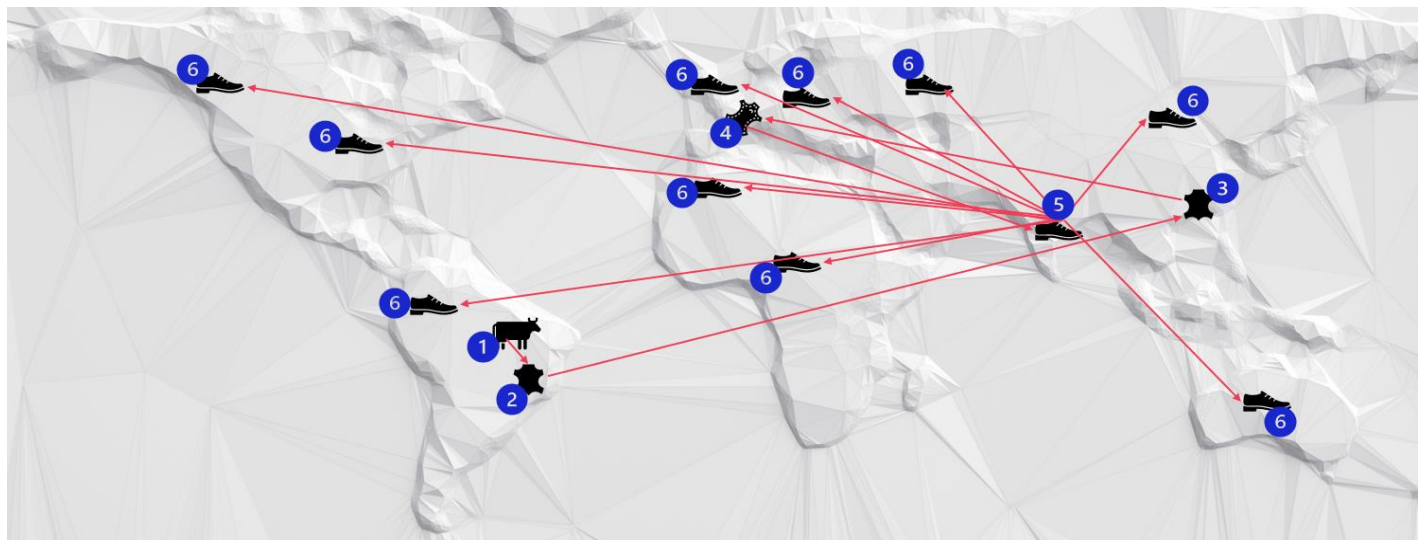
- Animal Welfare
- Biodiversity & Land Use Conversion
- Chemical Use
- Deforestation
- Environmental Pollution
- Ethical governance
- Fair treatment of workers
- Resource Consumption

Many of the above risks interlink or overlap, and parts of a value chain will not have clarity or visibility of their unintended role in contributing to problems such as deforestation, due to the opacity of supply (i.e. working through traders or multiple tiers). This is why SLF works to provide a suite of tools to connect actors positioned in different points of the value chain together, while at the same time protecting sensitive commercial information.

This allows consumers, brands, retailers and other participants along the value chain to demonstrate individual responsibility within a chain of custody that brings together visibility of the sum of the parts into a whole, through a clear system of traceability.

## Challenges

Figure 1



There is an increasing demand from brands and consumers to have enhanced visibility of raw material origin and the production processes involved in the manufacture of the articles they buy. However, it is important to recognise the challenges associated with meeting that demand.

**Globalisation:** Many supply chains involve the transit of material (at varying stages of production) to different countries. For example, bovine leather may have originated in the Brazilian Amazon, undergone part-processing in Asia, finishing in Italy, product manufacture in India before being shipped around the world for retail sale (see Figure 1).

Maintaining the ability to monitor, track and verify the leather is then further complicated by the way in which it is processed. For example, has the material been split into more than one piece (i.e. a top grain and a suede?) or was the material shipped through a trader that batched together quantities of material from more than one origin / source?

**Farming Practices:** Some regions of the world have systems in place that provide animal welfare protection and that can track an animal from birth through to slaughter. Technology is now available to extend that identification from the slaughterhouse to the tannery. However, there are parts of the world where customs and traditional farming do not require that this becomes standard best practice and may not have regulated farming and slaughtering systems.

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## Solutions

Where there are differentiated supply chains, traceability is a critical tool to protect sustainable parts of the value chain. As a result, traceability has been a development topic in the leather industry for many years. However, that development has largely been focused on the direct processes of the leather manufacturing value chain, i.e. from the slaughterhouse to the finishing tannery.

Where there is land use, animal welfare or on-farm labour risks at stake, this is not enough. For known sustainability risks such as deforestation, land use conversion, animal welfare, forced labour and corruption, due diligence requires greater traceability and transparency for raw material sourcing.

How can this be demonstrated? There are tools currently being used in the marketplace such as physical marking on hides (stamps or laser) and some newer technologies such as embedded markers (DNA and ceramic powders) that support traceability for parts of the value chain. There are also IT systems that can be adopted including the potential of Blockchain technology to enable a robust chain of custody.

The Sustainable Leather Foundation's tools provide a mechanism to transparency that works throughout the leather value chain. Working with industry stakeholders who hold the same vision and ambition, we are developing a system that caters to all levels of ability to demonstrate traceability. Both from the capability we currently have, but also with a focus on how we can improve and unify a global standard for traceability in the future.



## Tools

The Sustainable Leather Foundation's audit standard has 5 levels of traceability under which value chain partners are assessed:

**Level 1:** Manual documentation-based chain of custody with mass [material] balance that shows origin and destination.

**Level 2:** Manual documentation-based chain of custody, coupled with permanent, physical marking [identifiers], with mass [material] balance that shows origin and destination.

**Level 3:** Manual documentation-based chain of custody, coupled with permanent physical marking [identifiers] with mass [material] balance that shows origin and destination and that speaks to an electronic system.

**Level 4:** Documentation system that includes full lifecycle passport to the direct farm, coupled with permanent, physical marking [identifiers] and that speaks to an electronic system.

**Level 5:** Documentation system that includes full lifecycle passport, including auditable and verifiable information about birth farm of the animals, coupled with permanent, physical marking [identifiers] and that speaks to an electronic system.

The Sustainable Leather Foundation's Transparency Dashboard™ will clearly indicate a value chain partner's ability to demonstrate their own traceability on a 1-tier up and 1-tier down approach. Through the electronic system behind the Transparency Dashboard, which is currently in development, each tier will be connected without the need to disclose commercially sensitive data to other value chain parties.

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## Partnership

The Sustainable Leather Foundation works with expert NGOs such as World Wildlife Fund (WWF)<sup>3</sup>, National Wildlife Federation (NWF)<sup>4</sup> and is aligned with other initiatives such as Carbon Disclosure Project<sup>5</sup>, the Accountability Framework Initiative (AFI)<sup>6</sup>, Forest 500<sup>7</sup>, to define a framework for policies, commitments and procedures to facilitate real problem solving and innovation. The Foundation seeks a pathway to balance that protects people, the planet and is economically viable for the benefit of future generations.

An external project with the potential to provide a framework for traceability and transparency, that can be accessible by the whole industry, is being conducted by the United Nations Economic Commission for Europe (UNECE)<sup>8</sup>. SLF's Managing Director is directly involved in this project as a Core Project Consultant, and the principles of this framework output, when complete, will be aligned with the traceability requirements within the Foundation.

Key considerations within this project are interoperability and ensuring that the resulting framework is technology and provider agnostic. The objective is to create a recognised standard set of criteria that are necessary to provide traceability – who, what, why, where and when?

The creation of Policy Recommendations and Guidelines, a Call to Action, Business Requirement Specifications and detailed Business Process Analyses have been completed. Work is now taking place on a Leather Value Chain Blockchain Pilot and a Training Toolkit is now under development ready for training and capacity building since 2021 through to 2023.



<sup>3</sup> World Wildlife Fund (WWF): <https://www.worldwildlife.org/>

<sup>4</sup> National Wildlife Federation: <https://www.nwf.org/>

<sup>5</sup> Carbon Disclosure Project: <https://www.cdp.net/en/info/about-us>

<sup>6</sup> The Accountability Framework Initiative (AFI): <https://accountability-framework.org/about/about-the-initiative/>

<sup>7</sup> Forest 500: <https://forest500.org/>

<sup>8</sup> Traceability and Transparency for more Sustainable Value Chains in the Garment and Footwear Sector: <https://unece.org/trade/traceability-sustainable-garment-and-footwear>



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