

**KNOW THE CHAIN**

How footwear companies  
and luxury brands tackle  
forced labor risks in their  
leather supply chains

June 2017

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# EXECUTIVE SUMMARY

This case study assesses how a sample of five footwear companies and five luxury clothing brands address forced labor risks across their leather supply chains.

The study follows [KnowTheChain's first apparel and footwear benchmark](#) which found a lack of transparency and action to address forced labor abuses beyond first-tier suppliers, particularly in leather. At the same time, the [US Department of Labor](#) and [Verité's Responsible Sourcing Tool](#) have identified several countries in leather supply chains with known risks of forced labor, ranging from manufacturing of footwear in China to cattle ranching in Brazil, the [largest global hide producing country](#).

We evaluated corporate policies and practices through a questionnaire which we developed in consultation with global and local stakeholders, such as labor NGOs in countries where global leather supply chains are located. Companies were also given an opportunity to disclose additional information and commitments. Eight out of the ten companies evaluated responded.

Key findings of the case study include:

- Publicly available information as well as information provided to us revealed very little on how—apart from auditing suppliers—companies address forced labor risks in countries where they produce hides, process leather, and manufacture leather goods. The German sportswear manufacturer Adidas marks the exception: Adidas trained

tanneries in Taiwan and China on how to address forced labor risks and is developing multi-stakeholder partnerships to address risks at third-tier leather hide suppliers in Brazil and Paraguay. This contrasts with the complete lack of disclosure from Belle International, China's largest shoe retailer.

- Most companies are beginning to disclose how they address forced labor risks below the first tier of their supply chains.
- Most companies have made commitments to improve supply chain labor conditions. Commitments range from increasing supplier transparency, to undertaking supply chain human rights impact assessments, to developing strategies for social compliance at the tannery level.

## **Companies need to join forces to eradicate forced labor across corporate leather supply chains.**

- Most companies in our sample participate in more than one multi-stakeholder or other initiative focused on improving labor standards in apparel supply chains. This is an important opportunity for both the initiatives as well as for member companies to work together to ensure robust forced labor standards and accountability mechanisms are developed and implemented, including for lower tiers of supply chains—an area which is still nascent, yet recognized by many as the path forward.

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# FORCED LABOR RISKS IN LEATHER SUPPLY CHAINS

Poor working conditions in leather supply chains have been well documented by human and labor rights organizations over the past years, with evidence from [Pakistan](#), [Bangladesh](#), and [India](#), among others revealing practices including child labor and exposure to hazardous working conditions.<sup>1</sup>

Reported conditions such as discrimination against trade union members, lack of work contracts, and forced overtime may be early indicators of forced labor and can enable conditions of forced labor, as they reinforce unequal power relationships between management and workers, leaving workers unable to exercise their rights.

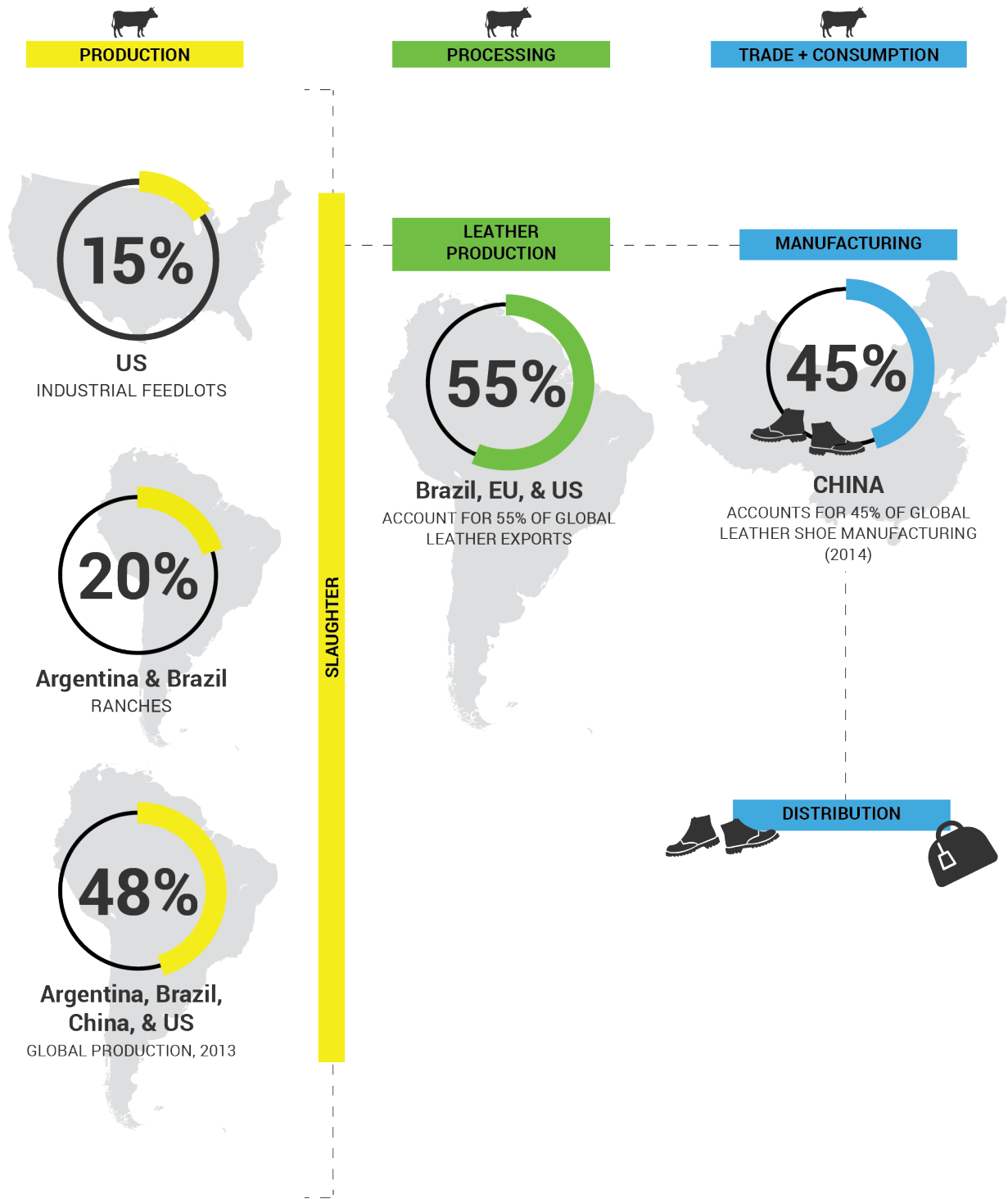
Further, [the US Department of Labor](#) and [Verité's Responsible Sourcing Tool](#) identified several countries in leather supply chains with known risks of forced labor, ranging from manufacturing of footwear in China to cattle ranching in countries such as Brazil:

China is the largest global footwear producer. Workers in Chinese footwear factories reported being forced to work overtime of up to 30 hours per month. Workers who refused to do so reported being punished through disciplinary warnings, deduction of allowances, demotion, and verbal abuses.

Brazil is the [largest global hide producing country](#). Cattle ranching in Brazil accounts for more than [60%](#) of the country's "Dirty List"<sup>2</sup> of companies using forced labor, with young men being brought to rural plantations by labor brokers and ending up in debt bondage.



# LEATHER SUPPLY CHAINS



Source: Chatham House (2016). [Agricultural Commodity Supply Chains: Trade, Consumption and Deforestation.](#)



# ASSESSING CORPORATE ACTION ON FORCED LABOR IN LEATHER SUPPLY CHAINS

In 2016, KnowTheChain [benchmarked 20 global apparel and footwear companies](#) on their efforts to address forced labor in their supply chains. Our benchmark found company action at the commodity level was inconsistent with, for example, cotton receiving greater attention than leather.

In order to understand how companies' policies and processes are implemented in lower tiers of their supply chains and how they are applied to leather, we selected two subsectors where leather is a key material: footwear and luxury clothing. Out of 20 companies we benchmarked in 2016, we found ten companies which identified leather as a key raw material or which sell a range of products that include leather. The footwear companies include: Adidas, Belle International, Nike, Kering (Puma), and VF (Timberland). The luxury clothing companies include: Hugo Boss, Kering (Gucci, Bottega Veneta, etc.), Prada, PVH (Tommy Hilfiger and Calvin Klein), and Ralph Lauren.<sup>3</sup>

We developed a questionnaire to evaluate companies' policies and practices to address forced labor risks in their leather supply chains. The questionnaire was based on indicators identified in our [benchmark methodology](#) and was developed in consultation with global and local stakeholders, such as labor NGOs in countries where global leather supply chains are located, including Brazil, China, India, and some countries in Europe. We also identified companies' membership in relevant multi-stakeholder or industry associations. Further, we invited the companies to provide

additional disclosure and commitments—[eight out of the ten companies in our sample responded](#).<sup>4</sup> The two companies that did not respond were Belle International and Ralph Lauren.

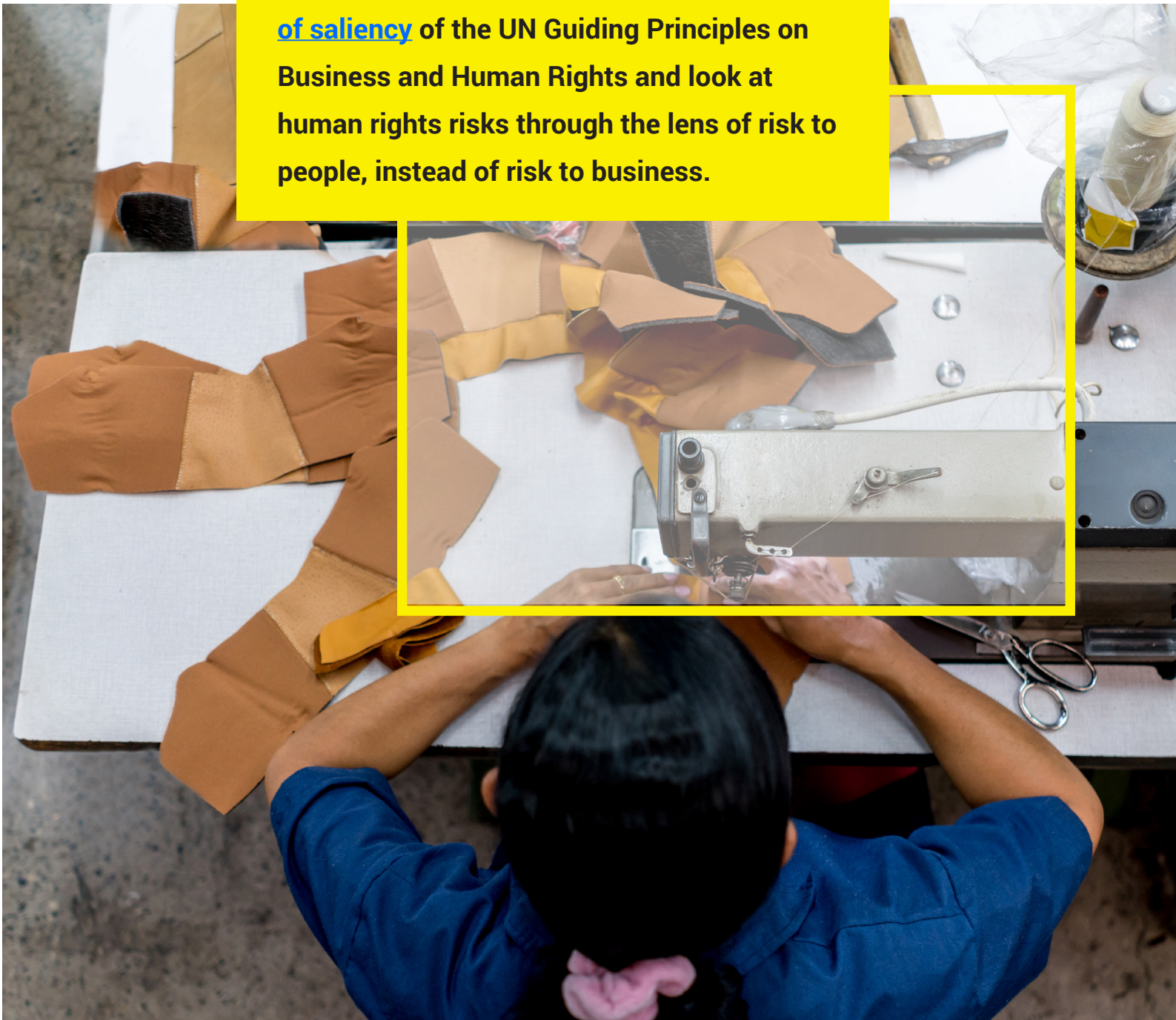
This case study examines the efforts of luxury clothing brands and footwear companies separately to account for differing purchasing models and different levels of progress by the two subsectors. Generally speaking, footwear companies are making headway, in part because of an increased level of scrutiny by stakeholders over the past decades.

Luxury clothing brands tend to source and process most of their leather in Western Europe. They also tend to manufacture leather products in that same region. In contrast, footwear companies tend to produce most of their products in Asian countries, where the enforcement of labor laws—if they exist at all—is limited.<sup>5</sup> As a result, some luxury clothing brands lack awareness of forced labor risks. For example, Prada asserts that the “Prada Group believes that the risk of modern slavery is totally absent inside its organization and, overall, very low along its industrial supply chain.”

However, all luxury clothing brands in the sample—insofar as they are transparent about their sourcing—have parts of their leather supply chains outside of Western Europe<sup>6</sup> and are therefore exposed to risks in other regions, such as Asia.

Further, it is important to recognize that poor working conditions and forced labor occur everywhere in the world, including in the apparel manufacturing sector in Western Europe. All companies in the apparel and footwear sector are exposed to risks of forced labor in supply chain operations around the world.

To strengthen their approach on forced labor, companies should adopt the [concept of saliency](#) of the UN Guiding Principles on Business and Human Rights and look at human rights risks through the lens of risk to people, instead of risk to business.



# LACK OF ACTION ON FORCED LABOR IN HIGH-RISK COUNTRIES

Not all companies are willing to disclose the suppliers in their leather supply chains. However, we believe that all companies in our case study either source or potentially source hides from Brazil and/or produce leather goods in China, thus are exposed to countries where we know forced labor risks are the greatest.

## Companies' Exposure to Countries with Leather-related Forced Labor Risks

Company	Brazil (cattle)	China (footwear production)
<b>Footwear Companies</b>		
<b>Adidas</b>	yes	yes
<b>Belle International</b>	unclear	unclear
<b>Kering (Puma)</b>	unclear	yes
<b>Nike</b>	yes	yes
<b>VF (Timberland)</b>	unclear	yes (Timberland and VF)
<b>Luxury Clothing Brands</b>		
<b>Hugo Boss</b>	unclear	yes
<b>Kering (Gucci, Bottega Veneta, etc.)</b>	no	unclear (max. 2%)
<b>Prada</b>	unclear	unclear
<b>PVH (Tommy Hilfiger, Calvin Klein)</b>	unclear	yes (PVH)
<b>Ralph Lauren</b>	unclear	unclear

High-risk countries identified by the [U.S. Department of Labor](#). Source: KnowTheChain 2017.

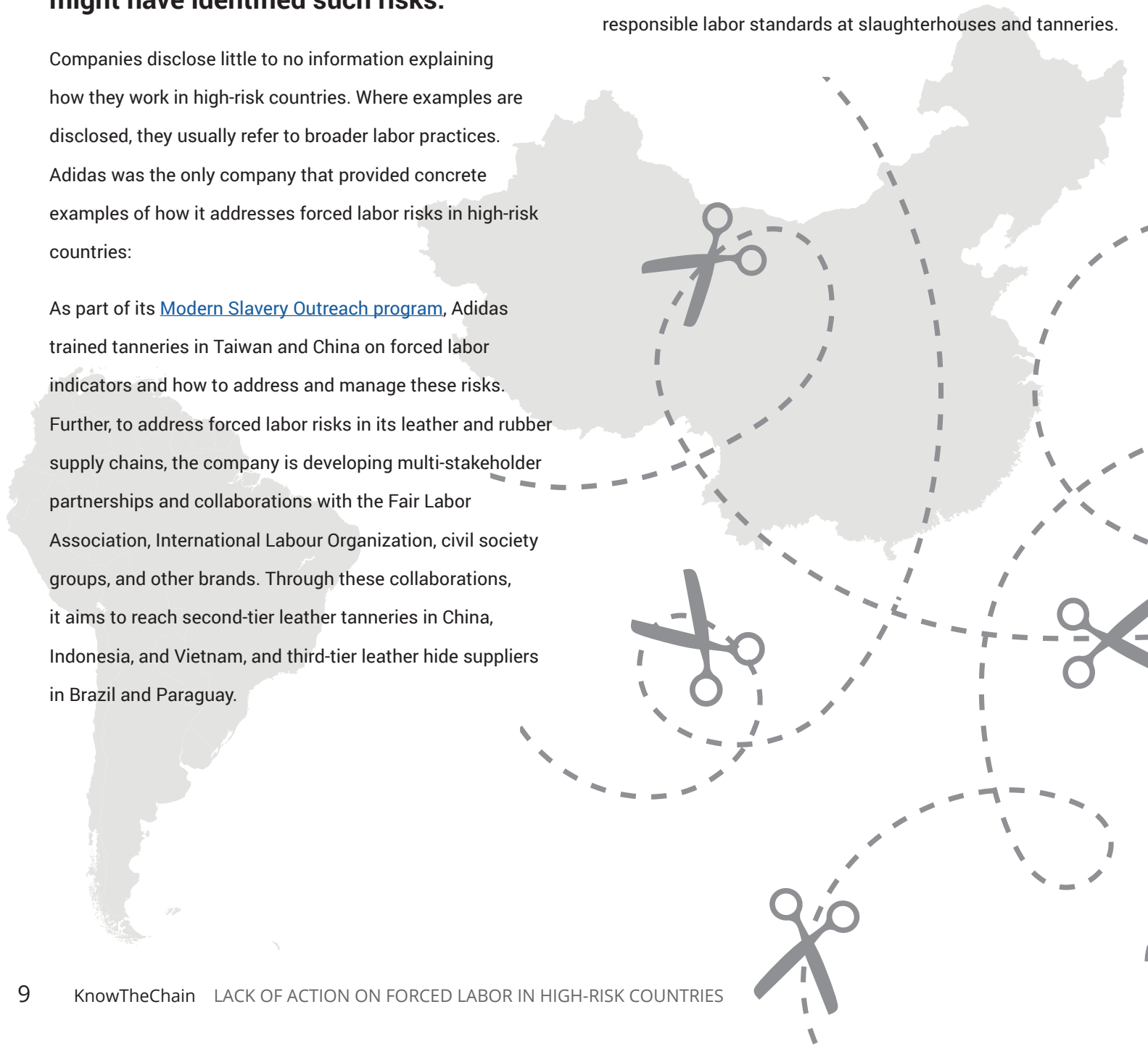


**Forced labor risks are often hidden. Therefore, we asked companies what practices they had in place to address forced labor in countries with known risks, such as Brazil and China, as well as in other countries where companies might have identified such risks.**

Companies disclose little to no information explaining how they work in high-risk countries. Where examples are disclosed, they usually refer to broader labor practices. Adidas was the only company that provided concrete examples of how it addresses forced labor risks in high-risk countries:

As part of its [Modern Slavery Outreach program](#), Adidas trained tanneries in Taiwan and China on forced labor indicators and how to address and manage these risks. Further, to address forced labor risks in its leather and rubber supply chains, the company is developing multi-stakeholder partnerships and collaborations with the Fair Labor Association, International Labour Organization, civil society groups, and other brands. Through these collaborations, it aims to reach second-tier leather tanneries in China, Indonesia, and Vietnam, and third-tier leather hide suppliers in Brazil and Paraguay.

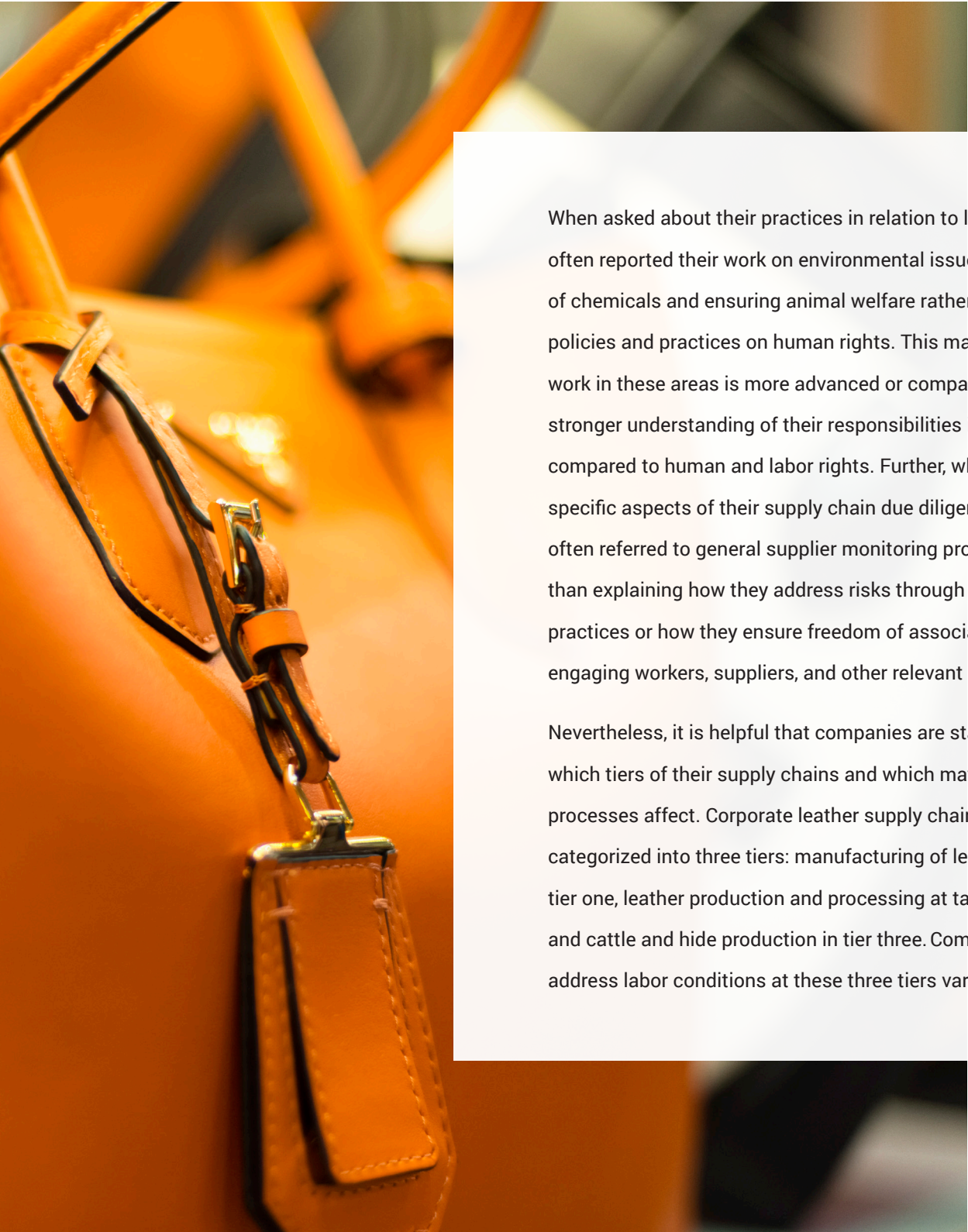
Adidas also requires its Brazilian leather suppliers to ensure that leather only comes from cattle raised at farms that meet the requirements of Brazil's National Pact on the Eradication of Slave Labour.<sup>7</sup> Suppliers on the "Dirty List" (i.e., those listed by the Brazilian Ministry of Labor as employing workers in slave-like conditions) are to be suspended immediately. Lastly, Adidas has engaged JBS, the largest global meat processor, to explore the role of multinational meat processing companies in driving responsible labor standards at slaughterhouses and tanneries.



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# FROM LEATHER GOODS PRODUCTION TO TANNERIES AND CATTLE FARMS

## Increasing Focus on Lower Tiers of Supply Chains



When asked about their practices in relation to leather, companies often reported their work on environmental issues such as use of chemicals and ensuring animal welfare rather than on their policies and practices on human rights. This may be because work in these areas is more advanced or companies have a stronger understanding of their responsibilities in these areas as compared to human and labor rights. Further, when asked about specific aspects of their supply chain due diligence, companies often referred to general supplier monitoring processes rather than explaining how they address risks through their purchasing practices or how they ensure freedom of association (e.g., by engaging workers, suppliers, and other relevant stakeholders).

Nevertheless, it is helpful that companies are starting to disclose which tiers of their supply chains and which materials their processes affect. Corporate leather supply chains can roughly be categorized into three tiers: manufacturing of leather occurs in tier one, leather production and processing at tanneries in tier two, and cattle and hide production in tier three. Companies' efforts to address labor conditions at these three tiers vary significantly.

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# DISCLOSURE AND ACTION OF LUXURY CLOTHING BRANDS

Luxury clothing brands disclose limited details on their suppliers and supply chain due diligence. That said, where companies have some disclosure in place, it often includes information beyond the first tier of their supply chains.

PVH (Tommy Hilfiger and Calvin Klein), Kering (Gucci, Bottega Veneta, etc.), and Prada provide some transparency on their leather supply chains by disclosing their main first-tier supplier countries. Notably, Hugo Boss discloses a first-tier supplier map that not only includes the number of suppliers and product categories by country, but also the social audit results by region. None of the luxury clothing brands analyzed disclose supplier names, let alone addresses or contact details of the person legally responsible for a given factory. At the same time, the companies often do provide some transparency on their supply chains beyond the first tier, with Kering (Gucci, Bottega Veneta, etc.) disclosing information down to tier three.

Apparel companies are increasingly expected to report not only on their product supply chains,<sup>9</sup> but also their workforce supply chains. Two out of the five luxury clothing brands provide some information on the workers in the first tier of their supply chains. Kering (Gucci, Bottega Veneta, etc.) indicates that the average number of workers of the suppliers to its luxury brands is below 100, and Hugo Boss provides the number of suppliers and number of workers per country.

Given their limited exposure to higher-risk countries outside

of Europe, luxury clothing brands tend to address risks related to these countries by further reducing or ending their sourcing from these countries or regions. For example, Prada notes it has reduced its procurement from non-European countries from 18% in 2015 to 3% in 2016. Hugo Boss decided to stop manufacturing finished leather goods in Bangladesh (as of the third quarter of 2017).

Luxury clothing brands' due diligence on first-tier suppliers tends to be limited to integrating forced labor in the selection and monitoring of suppliers. In addition to undertaking their own audits, some of the companies work with third parties. For example, PVH (Tommy Hilfiger and Calvin Klein) is an accredited member of the Fair Labor Association<sup>10</sup>, and Gucci and Bottega Veneta received certification against the [SA 8000 standard](#), which includes provisions on forced labor and living wages for suppliers. Prada has established longstanding supplier relationships (e.g., with its main Asian supplier since 2006). While no company rewards good labor practices of suppliers, PVH (Tommy Hilfiger and Calvin Klein) tracks the relationship between social compliance KPIs and purchasing orders and notes an increase of orders at some of the suppliers with stronger human rights practices.

Luxury clothing companies also disclosed limited information on how they engage workers in their supply chains. PVH (Tommy Hilfiger and Calvin Klein) provides channels for suppliers' workers to contact the company directly and encourages suppliers to establish grievance mechanisms.

Its auditors are required to review grievances filed by suppliers' workers as well as whether workers are trained on the factory's grievance policy.

It is positive that companies' due diligence processes start to extend beyond tier one, although they are limited to supplier monitoring. For example, Ralph Lauren's first-tier audits include checks on whether suppliers cascade standards, and, in 2015, Hugo Boss started to evaluate its raw material suppliers via a social compliance self-assessment tool. Kering audits tier two of the leather supply chains of its luxury brands and requires its luxury brands' suppliers to cascade standards to subcontractors. Further, both PVH (Tommy Hilfiger and Calvin Klein) and Hugo Boss committed to look into introducing social compliance monitoring at the tannery level.


For more details on supply chain transparency and due diligence of the luxury clothing brands analyzed, please see Appendix 1.

## Supply Chain Transparency

### Footwear

	Adidas	Belle International	Kering (Puma)	Nike	VF (Timberland)
<b>Tier 1: Manufacturing of Leather Goods</b>					
<b>Tier 2: Leather Production</b>					
<b>Tier 3: Cattle / Hide Production*</b>					

### Luxury Clothing Brands

	Hugo Boss	Kering (Gucci, BV, etc.)	Prada	PVH (Tommy Hilfiger, etc.)	Ralph Lauren
<b>Tier 1: Manufacturing of Leather Goods</b>					
<b>Tier 2: Leather Production</b>					
<b>Tier 3: Cattle / Hide Production*</b>					

Supply Chain Due Diligence\*\*

Footwear

Adidas AG      Belle International      Kering (Puma)      Nike      VF (Timberland)

	Adidas AG	Belle International	Kering (Puma)	Nike	VF (Timberland)
<b>Tier 1: Manufacturing of Leather Goods</b>	●		●	●	●
<b>Tier 2: Leather Production</b>	●		●	●	●
<b>Tier 3: Cattle / Hide Production</b>	●		●		●

Luxury Clothing Brands

Hugo Boss      Kering (Gucci, BV, etc.)      Prada      PVH (Tommy Hilfiger, etc.)      Ralph Lauren

	Hugo Boss	Kering (Gucci, BV, etc.)	Prada	PVH (Tommy Hilfiger, etc.)	Ralph Lauren
<b>Tier 1: Manufacturing of Leather Goods</b>	●	●	●	●	●
<b>Tier 2: Leather Production</b>	●	●		●	●
<b>Tier 3: Cattle / Hide Production</b>					

Please note: The size of the dots provides an indication of the amount of relevant disclosure a company has in place for each tier of its leather supply chain. For example, a company with a small dot under transparency may have only disclosed its sourcing countries, whereas a company with a larger dot may have disclosed supplier names and addresses in addition to main sourcing countries. Similarly, a company with a small dot under due diligence may have only monitoring processes in place, whereas a company with a larger dot also reports on purchasing practices or worker voice.

\*[KnowTheChain's questionnaire](#) did not specifically request information on supply chain transparency for tier three.

\*\*Analysis on whether companies disclose at least some information on supply chain labor due diligence. Specifically, the analysis looked at purchasing practices, worker voice, and monitoring for tier one; monitoring/cascading standards and grievance mechanism for tier two; and monitoring/sub-supplier engagement and grievance mechanisms for tier three. The analysis only evaluated to a limited degree the robustness of the due diligence processes in place.

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# DISCLOSURE AND ACTION OF FOOTWEAR COMPANIES

Footwear companies have often developed extensive due diligence systems and transparency in the first tier of their supply chains. While action below tier one is limited, some companies extend some of their practices down to tier three of their supply chains.

Apart from Belle International, all footwear companies analyzed disclose the names and addresses of their first-tier suppliers. Puma and Timberland also disclose names and addresses of second-tier suppliers. However, information on tier three is limited. Adidas is the only footwear company in the sample which discloses key sourcing countries of third-tier suppliers of bovine hide.

Nike stands out for providing very detailed information on the workforce in the first tier of its supply chain, indicating it has a good understanding of whom the workers are and the potential risks they might face. For each first-tier factory, Nike's supplier map includes the total number of workers, the number of line workers, the percentage of female and migrant workers, as well as the average age of workers. Further, Nike provides the information in a user-friendly format that allows stakeholders to analyse its data. Nike is also the only company that provides a company contact (name, phone number, fax number, and email address), although this practice is limited to factories that manufacture licensed collegiate products.

Most of the footwear companies have due diligence

processes in place for the first tier of their supply chains, with Adidas, Puma, and Nike being accredited members of the Fair Labor Association.

When asked how they reward good labor practices of suppliers or ensure workers in their supply chains are enabled to exercise their right to freedom of association, companies often refer to their monitoring practices. However, there were a number of good practice examples related to first-tier practices which go beyond monitoring and include:

## **Purchasing Practices**

Nike focuses on working with long-term, strategic suppliers that demonstrate a commitment to engaging their workers and to providing safe working conditions. Further, Nike's Sustainable Manufacturing and Sourcing Index gives environmental and human resource management performance equal weight alongside business metrics in its sourcing and creates targets and incentives to go beyond compliance. In addition, Nike is working on a pilot program in partnership with the International Finance Corporation to provide suppliers with higher sustainability ratings with access to financing.

## **Freedom of Association**

Adidas has designed training modules on freedom of association and collaborates with stakeholders such as Oxfam, the International Labour Organization, and labor NGOs on improving freedom of association practices at

suppliers or in supplier countries.

## Grievance Mechanisms

Puma has several grievance mechanisms in place for its first-tier suppliers in China, which include providing suppliers' workers contact details of Puma, an SMS service, and a service via QQ—a widely used local social network. It discloses the number and types of grievances received from supply chain workers (e.g., wages, health and safety, and working hours) as well as the resolution rate of grievances in key supplier countries (e.g., 99.3% for China). This information gives an indication that the mechanism is trusted and used by supply chain workers.

These practices are in contrast to the lack of disclosure from Belle International, China's largest shoe retailer. The company states that leather is the primary product used in its production process, yet discloses no relevant information—not even a supplier code of conduct.

## It is promising that footwear companies extend some of their practices to lower tiers of their supply chains.

Puma requires its suppliers to source most of its leathers from nominated tanneries which are included in the company's compliance program. Similarly, Adidas has decades-long relationships with most of its tanneries and requires its first-tier suppliers to purchase from nominated tanneries only. Adidas also reports that in 2016 it has trained its material second-tier suppliers from Taiwan and China on forced labor indicators and how to manage forced labor risks.

Adidas has developed its grievance mechanism for third-

party complaints through extensive stakeholder input. This mechanism is distinct from mechanisms geared towards supply chain workers, with most of the complaints being brought forward by trade unions and labor and human rights organizations. This includes complaints brought forward regarding second-tier suppliers of the company. Notably, Adidas [discloses outcomes](#) both on individual cases as well as on an aggregate level. In 2016, the complaints—not all of which related to suppliers Adidas sources from—included reports regarding health and safety, lack of consideration for local languages, wage deductions, and several cases of discrimination against union members. Examples of outcomes include a case where a supplier withheld workers' wages. Adidas supported negotiations between the union and the supplier, the development of a payment plan, and ensured payments were made to workers. In another case of unlawful dismissal of workers, Adidas' investigations resulted in the rehiring of 186 former workers and in improved rights for pregnant workers, enabling pregnant women to work, to access to government maternity benefits, and to receive severance packages by the supplier.

VF (Timberland) discloses that its Ethics Helpline is available to supply chain workers and their communities in tiers two and three and that suppliers' workers have used the mechanism. VF reports that during audits it checks if suppliers have effective grievance mechanisms in place.

Puma and VF (Timberland) report they undertake audits down to the third tier. In 2016, Puma started to monitor core component and material suppliers, including tanneries. It has set a goal of achieving compliance with the ILO Core Conventions for all key suppliers, including those in the

second and third tiers. Puma has shifted the scope of its social compliance efforts from a 100% coverage of all first-tier suppliers towards an 80% audit coverage of its sourcing volume including some but not all tier one, two, and three suppliers. Finally, Adidas's Modern Day Slavery Outreach program reaches down to tier three, where the company has identified leather hide suppliers in Brazil and Paraguay as a focus for its multi-stakeholder program.

For more details on supply chain transparency and due diligence of the footwear companies analyzed, please see Appendix 1.





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# CORPORATE COMMITMENTS AND RECOMMENDATIONS FOR COMPANIES

It is promising that most the companies analyzed made commitments towards future improvements on supply chain labor practices, including in the lower tiers of their leather supply chains.

## **Corporate commitments to improve supply chain labor standards more broadly include:**

### **[Kering \(Gucci, Bottega Veneta, etc.\)](#)**

In 2017, Kering plans to conduct an analysis to identify potential gaps between its internal procedures and the UN Guiding Principles on Business and Human Rights. It aims to identify ways to strengthen its remediation mechanisms and address employee grievances about its supply chains.

### **[Nike](#)**

Nike notes it will continue to look for ways to more strongly incorporate labor and other sustainability principles into its purchasing practices, both in finished goods manufacturing and in criteria for materials suppliers. The company also notes it will continue to deepen its engagement into lower tiers of its supply chain with a focus on advancing industry approaches and collaborative tools through existing partnerships.

### **[Timberland](#)**

Once the Facility Social and Labor Module of the Higg Index<sup>11</sup> is available, Timberland will roll it out to its largest manufacturers.

## **Several companies made commitments to address labor risks in the lower tiers of their leather supply chains:**

### **[Adidas](#)**

Adidas will identify relevant third-tier stakeholders with whom it will work to address forced labor at local level. Further, starting in 2018, the company will include leather tanneries in its labor monitoring program.

### **[Hugo Boss](#)**

Hugo Boss will increase sourcing transparency and develop a strategy for social compliance at the tannery level.

### **[Puma](#)**

Puma will conduct a supply chain human rights impact assessment in 2017, which will include the leather industry.

### **[PVH \(Tommy Hilfiger and Calvin Klein\)](#)**

PVH (Tommy Hilfiger and Calvin Klein) will increase transparency in the second tier of its supply chain in 2017. It further aims to extend its social and environmental program, including its human rights audit and the SAC Higg Index, to key second-tier suppliers, including tanneries.

While it is positive that companies adopt a broader human rights or labor lens, it would be encouraging to see companies also adopt measurable and time-bound targets which clearly indicate how companies aim to address forced labor and ensure migrants workers' rights are protected.

To achieve lasting change in leather supply chains, joining forces with peers is key. Labor issues are rarely singular incidents; rather, they often indicate systemic issues across a region or country. Several footwear companies proactively pointed out the need for collaboration to improve working conditions in leather supply chains, as combining resources can significantly increase companies' leverage and impact.

It is very encouraging that most of the companies analyzed work with peers to improve labor standards in their supply chains by participating in one or more initiatives such as the ILO-IFC Better Work program, the Ethical Trading Initiative, the German Bündnis für nachhaltige Textilien (Partnership for Sustainable Textiles), or the Fair Labor Association. A number of companies also participate in initiatives that aim to drive common standards, such as the Sustainable Apparel Coalition and the Social & Labour Convergence Project, or are committed to adopt those industry-wide standards once they are developed to avoid suppliers being overwhelmed by multiple audits of different brands and free up resources for capacity building.

We strongly encourage companies to join these multi-stakeholder initiatives, if they haven't done so already. What is more, companies should actively engage their associations to reinforce the development and implementation of robust standards, due diligence, and third-party verification to address forced labor risks. Collaboration with peers, suppliers, trade unions, local NGOs, and other stakeholders can help companies ensure greater efficiency and reach when training workers or suppliers. It also provides greater clout when engaging with governments.

**It is important to note that collaboration does not need to be restricted to companies in the same sector. To address risks in leather supply chains, companies may consider all participants—from meat companies to others users of leather, such as the automotive industry.**



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# ASSESSING BUSINESS AND MULTI-STAKEHOLDER ASSOCIATIONS

## Limited Actions, Unlimited Opportunities

### **The Status Quo: What are they doing to help member companies address forced labor risks in leather supply chains?**

In addition to initiatives focused on developing industry-wide assessment tools<sup>12</sup>, there are several initiatives in the apparel sector which support member companies in upholding labor standards in their supply chains. However, their efforts to support members in addressing forced labor risks in lower tiers of their supply chains, particularly in leather, are under-developed.

Multi-stakeholder associations in the apparel industry range from the Fair Labor Association (whose membership is predominantly based in the US and includes many US-based licensees of collegiate-logoed products), to the Ethical Trading Initiative (many of whose members are based in the UK), to the Fair Wear Foundation (whose members are mostly companies headquartered in continental Europe).

All three initiatives have developed labor standards against which they hold their member companies to account. However, the degree to which they publicly report on members' performance varies: Fair Wear Foundation is the only one among the three that discloses individual members' performance. Fair Labor Association discloses audit findings of members' first-tier suppliers and reports on performance

of the 25 out of its 60 members which are accredited.<sup>13</sup> Further, both organizations operate a mechanism for grievances related to member companies and their first-tier suppliers, disclosing details on the complaints received and on outcomes of the remediation processes.

None of the three initiatives support members in addressing forced labor risks in their leather supply chains. However, the Ethical Trading Initiative has programs that support working conditions in specific contexts which may include leather workers, such as Indian homeworkers. Fair Labor Association supports its member companies in tracing commodities, with most focus on cotton, but some focus on leather as well. Fair Wear Foundation includes an analysis of country-specific forced labor risks, such as Sumangali<sup>14</sup> in India, in its country case studies.

Further, there are sustainability initiatives for the leather and the luxury goods sector. BSR's Responsible Luxury Initiative supports its members in addressing sustainability risks related to raw materials including leather. While it mostly focuses on environmental issues and animal welfare, it has developed principles for the sourcing of leather and other animal materials which reference international human and labor rights.

The Leather Working Group (LWG) provides certification and focuses on environmental aspects only. Following a recent

report about poor working conditions in Indian tanneries<sup>15</sup>, LWG notes that it “was set up to tackle environmental issues within the leather supply chain and during the formation of its objectives, although important to the members, socially orientated aspects [...] were specifically excluded from the LWG’s scope of operation.” The rationale behind this was that “brand members already had extensive social auditing and compliance procedures in place [...] and brand members were already involved in other social improvement initiatives.”<sup>16</sup>

For further details on how the initiatives support their member companies in addressing forced labor risks in their leather supply chains, please see Appendix 2.

## **Recommendations: Opportunities for Collaborative Solutions**

Multi-stakeholder associations can and should play a key role in supporting member companies to address risks below the first tier of their supply chains, including in materials such as leather. Many initiatives recognize that this is what both member companies and external stakeholders see as the path forward. However, efforts in this direction are still nascent and should be strengthened.

For example, in response to a report outlining poor working conditions in tanneries in India<sup>17</sup>, twelve ETI members published a [joint statement committing to collective action](#) and to working with stakeholders to develop a strategic response to the issues in their leather supply chains. The Partnership for Sustainable Textiles notes that monitoring and exerting influence over lower tiers of supply chains is challenging, but that “there are initial ideas that enable the

entire supply chain to be incorporated [in monitoring]. The Partnership will develop an approach for systematizing and honing these ideas so that they can be applied effectively and on a wide scale.”<sup>18</sup> Fair Labor Association points out that “FLA affiliates and other stakeholders have increasingly recognized the need to ‘go beyond tier one’ to improve conditions for workers in deeper tiers of the supply chain.”<sup>19</sup>

To provide guidance and support, multi-stakeholder associations should support worker voice and remedy and develop projects to support and empower supply chain workers of member companies below the first tier. Further, to bring about industry change, they should develop robust forced labor standards and strong accountability mechanisms, not least to create a level playing field for members.<sup>20</sup>

Initiatives such as BSR’s Responsible Luxury Initiative can play a key role in supporting members to address the specific risks and challenges they are facing. For example, leather supply chains of luxury clothing brands are predominantly based in Western Europe, a region with its own distinct forced labor and other labor risks. In addition, Western Europe is a region that is particularly strongly affected by legislative requirements on human rights due diligence and/or transparency, such as the UK Modern Slavery Act, the French Corporate Duty of Vigilance Law, the Danish Financial Statements Act, and the EU Non-Financial Reporting Directive, with additional legislative efforts proposed in the Netherlands and Switzerland.

Lastly, the Leather Working Group (LWG) has demonstrated its ability to generate momentum in the industry to address

environmental risks. Six out of the ten companies analyzed are among the more than 100 members of the Leather Working Group, thus certifying the leather they use against environmental standards. While LWG notes that, at its inception in 2005, social impacts were deliberately excluded from its scope of work, the increasing number of reports indicating poor working conditions in leather supply chains that have been published since<sup>21</sup> demonstrate the need for leather to be certified in a more holistic way. The LWG has already started to look at other sustainability aspects (e.g., animal welfare), thus broadening its scope beyond tanneries.<sup>22</sup> Further, the LWG member company, C&A, reports it is “exploring the possibility to include labour standards in the current scope of the LWG.”<sup>23</sup> H&M, another member of the initiative, discloses it previously worked towards increasing Leather Working Group certified leather or organic certified leather. However, since these certifications “do not cover all critical issues in leather production, [the company is no longer] actively sourcing leather from the LWG suppliers [... and instead is] focused on adding social criteria as well as animal welfare standards.” With internal as well as external stakeholders calling on the initiative to broaden its scope, the Leather Working Group has an opportunity to once again demonstrate leadership in the field of sustainability, to not only ensure workers in leather supply chains are free from harm related to environmental impacts such as chemicals, but also to ensure workers are able to produce the sneakers and handbags global consumers use every day under dignified working conditions.



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# APPENDIX 1: COMPANY SUMMARIES

## Scope of Leather Sourcing, Actions Taken to Address Forced Labor, and Recommendations

This section provides a summary of findings for each company analyzed, including the company's exposure to leather, practices in place to address forced labor risks, and recommendations for improvement as well as commitments made by the company. To view full company responses, please visit the [Business & Human Rights Resource Centre website](#).

### Footwear Companies

#### Adidas

German sportswear manufacturer with a market capitalization of US\$ 14 billion

*Member of: Fair Labor Association-accredited, Sustainable Apparel Coalition and Social & Labour Convergence Project, the Leather Working Group, and the Mekong Club*

Adidas uses leather primarily in footwear products. In 2016, the company purchased roughly 130 million square feet of bovine leather, which is 0.6% of the global bovine leather industry. Adidas has strong disclosure of supplier information down to the third tier of its supply chain. It discloses a supplier list which includes manufacturers and tanneries, as well as the percentage of leather sourced by type and sourcing country. Adidas' Modern Slavery Outreach program includes training for second-tier suppliers in Taiwan and China on forced labor indicators and on how to address forced labor risks and a multi-stakeholder focus on leather hide third-tier suppliers in Brazil and Paraguay. Notably, Adidas is the only company that reports on how it addresses forced labor risks in specific countries, ranging from engaging the Brazilian company JBS, the largest meat processor globally, to understand the role meat companies play in addressing forced labor to training workers and

suppliers in the second tier of its supply chain in China.

The company could be more progressive in terms of disclosing data on its supply chain workforce. Adidas commits to include leather tanneries in its labor monitoring scope from 2018 and to identify partners on the ground to address issues in its leather supply chain, including in the third tier.

#### Belle International

Chinese footwear manufacturer, distributor, and retailer with a market capitalization of US\$ 10 billion

*Member of: n/a*

Belle International discloses that the primary raw material it uses is leather from animal hide. The company is China's largest shoe retailer and sells both its own brands as well as international brands including Clarks, Adidas, Nike, and Puma.

Belle International discloses no information regarding the suppliers in its leather supply chain. It also discloses no due diligence measures for its supply chain. In fact, the company

does not even have a public Supplier Code of Conduct in place and has made no commitments for improvement. The company could consider putting in place supply chain transparency and due diligence and joining a multi-stakeholder initiative focused on promoting labor standards in supply chains.

## Kering

French holding company with market capitalization of US\$ 18 billion, analyzed here regarding its German sportswear brand **Puma**

*Member of: Fair Labor Association–accredited (Puma), Better Work (Puma), Sustainable Apparel Coalition (Kering and Puma) and Social & Labour Convergence Project (Puma), Partnership for Sustainable Textiles (Puma), the Leather Working Group (Kering and Puma), and the Mekong Club (Kering)*

Leather is one of the key raw materials used by Kering brands. Puma's leather goods are predominantly footwear.

Puma discloses a supplier list, which includes material second-tier suppliers such as tanneries. Since 2016, the company audits its core second- and third-tier suppliers.

Puma has a supply chain grievance mechanism for workers at its core first- and second-tier suppliers in place and reports the number of complaints received and the resolution rate in key supplier countries such as China. For several years, the company has conducted roundtables in major sourcing regions to discuss sustainability programs and targets with its suppliers. Discussion may include NGO reports on poor working conditions.

In addition to terminating contracts with poor performing suppliers, the company could consider providing incentives for suppliers with strong labor performance, as well as programs to support freedom of association or alternative

means of organizing for supply chain workers. The company has committed to undertake a supply chain human rights impact assessment in 2017, which will include its leather supply chain.

## Nike

US sportswear company with market capitalization of US\$ 84 billion

*Member of: Fair Labor Association–accredited, Better Work, Sustainable Apparel Coalition and Social & Labour Convergence Project, and the Leather Working Group*

Nike notes that leather from animal sources is one of its four top-volume materials which can be found in 98% of its products.

Nike, by far the largest of the five footwear companies, is leading the way regarding disclosing information on the workforce in its supply chain. For example, Nike discloses the total number of workers, the percentage of migrant workers, and the average age of workers in the first tier of its supply chain. Further, Nike is the only company that provides details for contact persons of at least some of its first-tier suppliers. The company has longstanding relationships with its first-tier suppliers committed to good labor practices and has developed a Sustainable Manufacturing and Sourcing Index to incentivize sustainability, including good labor performance of suppliers.

The company could improve by addressing forced labor risks in both lower tiers of its supply chain, as well as in high-risk countries, and by disclosing the steps it has taken. The company notes it will continue to look for ways to strengthen how it incorporates labor and other sustainability elements into its purchasing practices, both in finished goods, manufacturing, and in criteria for materials suppliers.

## VF

US clothing company with a market capitalization of US\$ 29 billion, analyzed here regarding its US outdoor wear brand, **Timberland**

*Member of: Sustainable Apparel Coalition (VF) and Social & Labour Convergence Project (VF and Timberland), the Leather Working Group (Timberland), and the Mekong Club*

Timberland's products include footwear made of leather.

Over 90% of the leather used by Timberland is used for the production of footwear.

Timberland discloses a supplier list which includes second-tier material suppliers such as tanneries. It states that its grievance mechanism is available to workers and communities including in the first and second tiers, but provides no further details. Timberland audits its suppliers in lower tiers; its audits at leather facilities include forced labor, as well as freedom of association and effective grievance mechanisms. It also has a strict supplier selection process including on social compliance and reports quarterly on the number of factories rejected or pending.

Timberland may consider engaging in a multi-stakeholder initiative focused on labor in supply chains and disclosing action taken beyond auditing to address forced labor risks in countries where its leather supply chain is located.

Timberland uses the environmental module of the Higg Index, and, once available, is committed to rolling out the Higg Facility Social and Labor Module to its largest manufacturers.

## Luxury Clothing Brands

### Hugo Boss

German apparel company with a market capitalization of US\$ 7 billion

*Member of: Fair Labor Association and Partnership for Sustainable Textiles*

Leather makes up around 10% of the materials used within Hugo Boss collections.

While at the time of research Hugo Boss had not disclosed supplier names, it has published a detailed map of its first-tier supply chain, including number of workers per country and the social audit grading per region. It also discloses the key leather producing and processing countries in its supply chain. Hugo Boss requires its suppliers to cascade standards to their suppliers and sub-suppliers. It has audited over 90% of its first-tier suppliers and, in 2015, it started to evaluate second-tier suppliers via a social compliance self-assessment tool.

The company could consider disclosing how it addresses risks in countries such as China, where more than 20% of its first-tier suppliers are located. Hugo Boss is committed to increasing sourcing transparency and developing a strategy for social compliance at the tannery level.



## Kering

French holding company with a market capitalization of US\$ 18 billion, analyzed here regarding its luxury clothing brands including **Gucci** and **Bottega Veneta**

*Member of: Social Accountability International (Gucci), BSR Responsible Luxury Initiative (Kering), Sustainable Apparel Coalition (Kering), the Leather Working Group (Kering), and the Mekong Club (Kering)*

Leather is one of the key raw materials used by Kering brands. Kering operates in leather goods mainly through the Gucci and Bottega Veneta brands, as well as the Saint Laurent, Balenciaga, and Alexander McQueen brands.

While it does not disclose supplier names, Kering discloses sourcing regions and some countries down to the third tier of its leather supply chain. Gucci and Bottega Veneta received SA 8000 certification in 2013, which includes provisions on forced labor and living wages for first-tier suppliers.

Kering, Gucci, or Bottega Veneta could consider disclosing how they address forced labor risks below the first tier of their leather supply chains, for example by providing a grievance mechanism to supply chain workers.

## Prada

Italian luxury clothing company with a market capitalization of US\$ 10 billion

*Member of: n/a*

While Prada does not disclose supplier names, it discloses sourcing regions for the first and second tiers of its leather supply chain. The company significantly reduced its procurement from extra-European countries from 18% to 3% in 2016. Prada has longstanding relationships with its suppliers and regularly monitors suppliers with “almost daily” informal visits of main suppliers.

Prada may consider working with peers and engaging supply chain workers to address forced labor risks in its leather supply chain.

## PVH

US apparel company with a market capitalization of US\$ 8 billion, analyzed here regarding its US fashion brands, **Calvin Klein** and **Tommy Hilfiger**

*Member of: Fair Labor Association–accredited (PVH), Better Work (PVH), Sustainable Apparel Coalition (PVH) and Social Labour Convergence Project (PVH), and the Leather Working Group (Tommy Hilfiger)*

Leather products of PVH's brands products include wallets, cardholders, bags, belts (Calvin Klein), as well as shoes and belts (Tommy Hilfiger). However, the company notes that leather constitutes less than 2% of its supply chain.

PVH discloses the names and countries of its first-tier suppliers, with information on second-tier suppliers forthcoming later in the year. PVH takes some steps to incentivize suppliers to improve conditions for workers. Further, PVH requires supply chain auditors to review grievances filed by suppliers' workers as well as whether workers are trained on the factory's grievance policy.

PVH could consider disclosing how it addresses forced labor risks in its leather supply chain at country level, particularly in countries which are at higher risks of forced labor. PVH intends to extend its social and environmental program including its human rights audit and Higg Index to key second-tier suppliers, including tanneries.

## Ralph Lauren

US apparel company with a market capitalization of US\$ 7 billion

*Member of: BSR Responsible Luxury Initiative*

While cotton is a more important material for the company, Ralph Lauren's leather products include jackets, trousers, skirts, belts, shoes, backpacks, bags, card cases, and shave kits.

Ralph Lauren discloses it maps its raw material supply chain from origin to finished product, however, the company does not disclose supplier names of countries for the different tiers of its leather supply chain. Ralph Lauren monitors its first-tier suppliers, including on whether they cascade standards down the supply chain. The company notes it has conducted risk assessment on Sumangali in India and engaged stakeholders on this issue, but provides no further details.

The company may consider disclosing how it addresses forced labor risks in its leather supply chain, particularly below the first tier.

# APPENDIX 2: EFFORTS OF APPAREL AND FOOTWEAR MULTI-STAKEHOLDER AND INDUSTRY INITIATIVES

## Supporting Member Companies in Addressing Forced Labor Risks in Leather Supply Chains

This analysis evaluates the accountability mechanisms and the support multi-stakeholder and industry initiatives provide member companies to address risks in their leather supply chains. Each of the initiatives was sent an initial analysis of their efforts for comment. Encouragingly, each initiative responded and confirmed the accuracy of the findings and/or provided edits.

Organization, Type, Size, Geographic reach	Accountability mechanism(s)	Specific support regarding forced labor risks in leather supply chains
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### BSR<sup>25</sup> Responsible Luxury Initiative (ReLI)

Industry Collaborative Initiative:  <a href="#">8 companies</a> (headquartered in US and Europe)	n/a	ReLI supports its members in addressing sustainability risks, including forced labor related to raw materials used in the luxury industry such as leather. ReLI: <ul style="list-style-type: none"> <li>• developed and adopted <a href="#">principles</a> for the sourcing of leather and other animal materials, which reference international human and labor rights; and</li> <li>• helped the luxury sector develop a <a href="#">sustainability risk map</a> for bovine animals (not disclosed).</li> </ul>
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### Ethical Trading Initiative (ETI)

Multi-Stakeholder Initiative:  <a href="#">Nearly 100 companies</a> (headquartered mainly in the UK, but also Australia, Germany, Spain, Sweden, and US )	<p><a href="#">Annual non-public reporting</a> against ETI <a href="#">Principles of Implementation</a>, with a multi-stakeholder review process. The latter requires companies to work towards a due diligence approach across all ETI Base Code issues and especially focuses on transparency (increasing public reporting on ethical trade, encouraging supplier reporting, responding to complaints about code violations). This reporting system will be updated in 2017.</p> <p><a href="#">Disciplinary measures</a> where companies fail to make sufficient progress.</p> <p><a href="#">Multi-stakeholder</a> screening process of prospective members.</p>	ETI supports its members in improving working conditions in supply chains, including in addressing forced labor. <p>While there are no specific programs dedicated to addressing forced labor risks in leather sourcing, programs may include leather workers (e.g., <a href="#">2002-2013 program supporting Indian homeworkers</a>).</p> <p>In response to a report outlining poor working conditions in the India leather industry, 12 ETI members published a <a href="#">joint statement</a> committing to collective action and to working with stakeholders to develop a strategic response to the issues in their leather supply chains.<sup>26</sup></p>
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Organization, Type, Size,  
Geographic reach

Accountability mechanism(s)

Specific support regarding forced  
labor risks in leather supply chains

### Fair Labor Association (FLA)

Multi-Stakeholder Initiative:

[60 US and global participating brands and suppliers](#) (25 are accredited<sup>27</sup>) plus around 2,500 US-based licensees of collegiate-logoed products

FLA assesses compliance of participating brands and suppliers against its [Workplace Code of Conduct](#) (which applies to the supply chain and includes forced labor) and its Principles of [Fair Labor & Responsible Sourcing/ Production](#) by auditing about 5% of each company's first-tier suppliers, the [results of which are publicly disclosed](#).

FLA operates a [Third Party Complaint mechanism](#) for grievances related to its member companies (including collegiate licensees) and their suppliers, which is intended as a last resort where local dispute mechanisms fail. FLA discloses details on the complaints received, such as the names of member company and supplier, the type of complaint, and a summary of the outcome.

FLA supports its members in improving working conditions, including in addressing forced labor.

While FLA has no specific program in place to support its members to address forced labor risks in leather sourcing, FLA affiliates<sup>28</sup> and other stakeholders increasingly recognize the need to improve conditions for workers below the first tier of the supply chain. [FLA supports member companies to trace cotton and leather supply chains](#) beyond the first tier, for example through its [Product Tracking Tool](#) and a briefing on child labor in the footwear sector in India.

### Fair Wear Foundation (FWF)

Multi-Stakeholder Initiative:

[Over 80 Europe based member companies](#) representing over 120 brands

FWF annually assesses and [publicly reports](#) on member brands' human rights due diligence efforts and implementation of the FWF Code of Labour Practices, which prohibits forced labor in supply chains. The assessment is based on supply chain monitoring, factory audit outcomes, [responses to complaints](#) filed via FWF's worker helpline, purchasing and sourcing practices, and compliance with specific policies for high-risk situations. Members are required to provide a full list of suppliers to FWF as part of their membership.

FWF operates a [complaint mechanism](#) for workers and local stakeholders in several countries in Europe and Asia. FWF member brands are required to work with suppliers to resolve any complaints, and FWF publicly reports on the complaint remediation process, including the name of the member company, the type of complaint, and the outcome.

FWF focuses on labor conditions, including addressing forced labor, in factories where fabric or leather is made into clothing, footwear, and other sewn products, but also encourages members to conduct due diligence and remediation at earlier supply chain stages.

FWF includes an assessment of forced labor risks for CMT (cut-make-trim) factories in each of its 11 [country studies](#), based on local stakeholder input. Country-specific forced labor risks (e.g., Sumangali<sup>29</sup> in South India) are included.

While FWF has no specific program in place to support its members to address forced labor risks in leather sourcing, it has programs and verification tools in place to ensure enabling factors such as [living wages](#) are in place at factory level.

Organization, Type, Size,  
Geographic reach

Accountability mechanism(s)

Specific support regarding forced  
labor risks in leather supply chains

### Leather Working Group (LWG)

Industry Association<sup>30</sup> / certification:

[Over 100 global brands, suppliers  
and tanners](#)

LWG manufacturer members are audited by independent auditors against LWG's Environmental Audit Protocol and receive a public rating (gold, silver, bronze, or audited). Further, details on members' performance are not disclosed.

LWG notes that it "was set up to tackle environmental issues within the leather supply chain and during the formation of its objectives, although important to the members, socially orientated aspects [...] were specifically excluded from the LWG's scope of operation. This was done for several, positive reasons:

- the brand members already had extensive social auditing and compliance procedures in place;
- the brand members were already involved in other social improvement initiatives; and
- there are many existing social auditing assessment tools, auditing companies and solutions available to the brands."<sup>31</sup>

### Sustainable Apparel Coalition (SAC)

Multi-Stakeholder Initiative:

[Over 200 members](#), including 48 brands, 21 retailers, 69 manufacturers, as well as industry associations, academics, governments, NGOs, and others

n/a

SAC focuses on building the Higg Index, a social and environmental supply chain measurement self-assessment tool for the apparel, footwear, and home textile industry.

The Higg Index differentiates between first-tier (finished goods manufacturers including subcontractors), second-tier (sundries, mills, tanneries, chemicals manufacturers, etc.) and third-tier suppliers (farms, slaughterhouse, etc.).

The Brand module of the Higg Index asks companies to assess whether they have relevant processes and practices in each of those three tiers on their supply chains in place.<sup>32</sup>

Organization, Type, Size,  
Geographic reach

Accountability mechanism(s)

Specific support regarding forced  
labor risks in leather supply chains

**Social & Labour Convergence Project (SLCP)**

Multi-Stakeholder Initiative:

n/a

[Over 100 global signatories](#), including  
manufacturers, brands and retailers, civil-  
society / multi-stakeholder initiatives,  
audit firms, national governments,  
international governmental observers

Facilitated by the SAC, SLCP is  
developing an industry-wide social and  
labor assessment framework and data  
collection and verification system to  
reduce the total number of audits in  
the industry to free up resources for  
improvements and capacity building.

The SCLP framework will look below  
the first tier, but not down to commodity  
level. It will not include information on  
specific commodities or materials such  
as leather.

# NOTES

1 For an overview of reports on poor working conditions at the tannery level, see: Business & Human Rights Resource Centre—[KnowTheChain: Outreach to footwear and luxury goods companies on forced labor risks in leather sourcing](#). Accessed 26 May 2017.

2 The “[Lista Suja](#)”—or, “Dirty List”—is a public mechanism created by Brazil’s Ministry of Labour in 2003 which discloses the name of individuals or legal entities who/which subjected workers to slave-like conditions. During a period where the government had no longer made the list public, the Brazilian NGO “Reporter Brazil” has made use of the Freedom of Information Act and published the list. See: InPACTO (National Pact Institute for the Eradication of Slave Labor)—[Lista Suja](#). Reuters: Anastasia Moloney (15 February 2016)—[More than 300 Brazilian companies busted for modern-day slavery](#). Accessed 21 May 2017.

3 Kering, VF, and PVH are companies which own many different brands. We evaluated those companies against a subset of their owned brands which fall into either the footwear and/or the luxury clothing category. In these cases, we assessed both relevant policies, practices, and requirements from the holding company, as well as policies and practices implemented by a brand independently from its holding company. Therefore, company names throughout this case study may refer to either the holding company (with relevant brand names in brackets) or the relevant brand only.

4 KnowTheChain also invited the remaining companies from its [2016 sector benchmark](#) to provide good best practice examples but did not receive additional information.

5 See: [Kering Reference Document 2016](#), page 122.

6 Joseph Rowntree (2013)—[Detecting and tackling forced labor in Europe](#). Reuters (2013)—[Italy’s Chinese garment workshops boom as workers suffer](#). Clean Clothes Campaign (2014)—[Can you earn a living wage in fashion in Italy?](#).

7 [Brazil’s National Pact for the Eradication of Slave Labour](#) is a multi-stakeholder initiative launched in 2005. Signatory companies commit to adopt practices such as integrating provisions on forced labor in supplier contracts and training employees on the topic.

8 While this categorization into the three tiers of the leather supply chain is oversimplified and does not account for company specific

sourcing structures, it enables us to indicate how far down their supply chain companies disclosure and practices apply.

9 This expectation has been underlined by the call for supply chain workforce transparency from a number of initiatives. The [Apparel and Footwear Supply Chain Transparency Pledge](#) organized by a coalition of unions, human rights, and labor rights organizations calls on the industry to pledge to publish at least selected details on their first-tier suppliers by end of 2017. The “[Step Up: Tell us who made our shoes](#)” campaign of the European and Asian NGO network “Change Your Shoes” calls on footwear companies to increase their disclosure, including on elements such as supplier names, reporting annually on progress, and working with peers. The [Workforce Disclosure Initiative](#) aims to provide investors better information on the employment practices of their investee companies, both regarding companies’ direct employees and workers in the supply chain.

10 Fair Labor Association does not offer certification, and does not accredit brands or factories. Rather, FLA specifically accredits a company’s compliance program to indicate the presence of systems and procedures required for successfully upholding fair labor standards throughout brands’ supply chains. An accredited company must be in “substantial compliance” with the implementation of the FLA Principles of Fair Labor & Responsible Sourcing/Production at headquarter level and must uphold the standards of the FLA Workplace Code of Conduct in its supply chain. See: Fair Labor Association—[Accreditation](#). Accessed on 9 May 2017.

11 The Higg Index is a social and environmental supply chain measurement self-assessment tool for the apparel, footwear, and home textile industry developed by the Sustainable Apparel Coalition. The Facility Social and Labor Module, which is currently being developed by the Social & Labour Convergence Project and will be appropriate for any tier of manufacturing, measures facility-level social impacts and the efficacy of social management programs. See Appendix 2 for more information on the Sustainable Apparel Coalition and the Social & Labour Convergence Project.

12 The Sustainable Apparel Coalition has developed a social and environmental supply chain measurement tool, which includes self-assessment questions on transparency and processes to address social issues including forced labor down to the third tier of companies’ supply chains. Facilitated by the Sustainable Apparel Coalition, the Social & Labour Convergence Project is developing an industry-wide social and labor assessment framework which will look below the first tier.

13 See endnote 11.

14 The Sumangali scheme refers to forced labor practices identified in spinning mills in South India. Agents employed by those mills abuse the vulnerability of poor rural families from lower castes, tempting parents with a lump sum payment for their daughter's wedding at the end of three years of labor. See [Fair Wear Foundation](#).

15 India Committee of the Netherlands (2017)—[Do leather workers matter?](#)

16 Ibid.

17 Ibid.

18 Partnership for Sustainable Textiles—[FAQ: Is full monitoring of all supply chain stages envisaged within the framework of the Partnership?](#) Accessed on 10 May 2017.

19 Fair Labor Association—[2015 Annual Report](#).

20 For more detailed recommendations for multi-stakeholder associations, please see KnowTheChain (2017)—[Forced Labor Action Compared. Findings from Three Sectors](#).

21 Business & Human Rights Resource Centre—[KnowTheChain: Outreach to footwear and luxury goods companies on forced labor risks in leather sourcing](#). Accessed on 10 May 2017.

22 Origem (Jan 2017)—[Towards Sustainable Leather Sourcing](#), p. 11. This report summarizes the conclusions reached during the workshop on leather sourcing hosted by the Kering Group.

23 See endnote 15.

24 H&M—[Conscious Actions. Sustainability Report 2015](#).

25 BSR is also involved in providing education, management tools, and guidance on best practice to address labor rights and forced labor through its [Human Rights Working Group](#) since 2012, and the [Global Business Coalition Against Human Trafficking](#).

26 ETI companies who signed the statement include Arco, Asos, Boden, C&A, H&M, Inditex, Monsoon Accessorize, New Look, Next, Pentland, Sainsbury's, and Tesco. The authors of the report, India Committee of the Netherlands, welcomed the responses from ETI members, but noted "from the reaction it is not clear what the ETI members have done or are planning to do related to this collective action."

27 See endnote 10.

28 One of [FLA's civil society organization affiliates](#), Cividep, India is active in leather manufacturing industries in South India.

29 See endnote 14.

30 [LWG](#) notes it is a "group of brands, retailers, product manufacturers, leather manufacturers, chemical suppliers and technical experts." While it is LWG's objective to work with NGOs and other stakeholder organizations, they are not formally part of the governance structure. NGO bodies, academic institutions, and other stakeholder organizations may be involved to provide a peer review.

31 See endnote 15.

32 The module includes supply chain mapping, list of manufacturers, record of risk factors (language of workers versus management, migrant versus local workers, temporary versus permanent workers, type(s) of production/manufacturing processes) and use of those records to determine level of oversight and monitoring, purchasing/long-term relationships, monitoring, and corrective actions. The module also captures whether companies disclose some second- and third-tier supplier names.





## About KnowTheChain

KnowTheChain—a partnership of Humanity United, the Business & Human Rights Resource Centre, Sustainalytics, and Verité—is a resource for businesses and investors who need to understand and address forced labor abuses within their supply chains. It benchmarks current corporate practices, develops insights, and provides practical resources that inform investor decisions and enable companies to comply with growing legal obligations while operating more transparently and responsibly. Find out more: [knowthechain.org](http://knowthechain.org)

**Humanity United** is a foundation dedicated to bringing new approaches to global problems that have long been considered intractable. It builds, leads, and supports efforts to change the systems that contribute to problems like human trafficking, mass atrocities, and violent conflict. Find out more: [humanityunited.org](http://humanityunited.org).

**Sustainalytics** is an independent ESG and corporate governance research, ratings, and analysis firm supporting investors around the world with the development and implementation of responsible investment strategies. Find out more: [sustainalytics.com](http://sustainalytics.com).

**Business & Human Rights Resource Centre** is a non-profit that tracks the human rights conduct of over 7,000 companies worldwide. Find out more: [business-humanrights.org](http://business-humanrights.org).

**Verité** is a global, independent, non-profit organization that provides consulting, training, research, and assessment services with a mission to ensure that people worldwide work under safe, fair, and legal working conditions. As such, it works with some of the companies covered in this case study. Verité was not involved in researching or evaluating company disclosures. Find out more: [verite.org](http://verite.org).

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For companies' resources and detailed research findings, please visit [business-humanrights.org](http://business-humanrights.org). For further information on this initiative, please visit [KnowTheChain.org](http://KnowTheChain.org).

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