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# Shine a light on leather

Discussion paper on transparency  
in the leatherware supply chain

October 2022



## Colophon

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Together for Decent Leather exposes corporate abuses in the leather-based garment and footwear industry through a three-year programme carried out by a consortium of seven civil society organisations in six European and Asian countries. Our goal is to contribute to improving working conditions and to reduce labour rights abuses in the production of leather-based garments and footwear in South Asia. Together for Decent Leather has its spotlight on the following production hubs: Vellore and Chennai districts in Tamil Nadu, India; greater Karachi in Pakistan; and the greater Dhaka region in Bangladesh. Together for Decent Leather works to secure increased commitment from companies to fulfil their human rights due diligence obligations and from governments to put in place safeguards and regulation to improve adherence to international labour standards.

Read more on Together for Decent Leather at [www.togetherfordecentleather.org](http://www.togetherfordecentleather.org)



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## Executive summary

The leather-based garment, footwear, and accessories industry is a complex production network. It comprises long supply chains that typically span several countries and link producers of inputs, materials, semi-finished products, and finished goods to consumers of branded products. Opacity and lack of transparency are common in this industry. Corporate actors provide very little insight into their upstream suppliers or downstream customers or into the labour conditions that workers endure.

The production of leather itself and leather goods often takes place in low- and middle-income countries and gives rise to serious sustainability issues, including poverty pay, union busting, gender discrimination, occupational health and safety risks, and environmental pollution. Companies systematically neglect the rights and safety of workers. The Covid-19 crisis has made matters worse.

Change is needed. Workers have a right to know and to be informed about all workplace-related aspects that may impact on their income, health, livelihood, and so on. Enhanced supply chain transparency is key to enable different actors – workers, trade unions, civil society organisations, companies, and investors – to drive greater respect for workers' rights and responsible business practices and change towards a fairer industry. Armed with information and analysis of supply chain links, workers and labour organisations, both local and international, can put pressure on buying and retailing companies and on the markets where they sell leatherwear products. This starts with companies along the supply chain mapping and publicly disclosing supply chain information.

This paper makes the case for improved public disclosure of disaggregated and detailed supply chain data by international buying companies with the aim of increasing respect for the labour rights of workers in international supply chains. We make proposals in the paper for data categories and elements that brands and retailers should eventually include in their facility-level disclosures. With this paper we aim to provide input into current discussions on enhanced supply chain transparency among brands, retailers, fashion conglomerates, workers and/or workers' organisations, civil society organisations, responsible business initiatives, and governmental actors.

We publish this paper as part of the [Together for Decent Leather](#) programme and alongside our accompanying new report, **Shine a light on leather. Analysis: supply chain disclosure practices of 100 companies in the leatherware industry**. The report provides an analysis of the current supply chain disclosure practices of 100 selected companies in two segments of the leather-based global garment industry: luxury leather goods and leather footwear.

The most urgent **steps forward** are:

- Buying companies – brands, retailers, and fashion conglomerates – should increasingly publish detailed supply chain information, based on the recommendations we make in this paper.
- Manufacturers and buying companies should acknowledge and respect international norms and standards with regard to information provision, communication, and public supply chain transparency, including workers' right to know.
- Governments should take steps to make supply chain transparency mandatory.
- Manufacturers, buying companies, governments of producer countries, governments of countries where brands and retailers are headquartered, labour rights organisations, workers and/or workers' organisations, and standard-setting civil society organisations should join in multi-party discussions about workers' right to know and how to operationalise this right in concrete standard setting for supply chain disclosure.

### **Discussion paper structure**

Section 1 of this paper provides more context about the leather-based garment, footwear, and accessories industry. In Section 2 we focus on the importance of supply chain transparency. Section 3 describes the various supply chain data categories and elements that we believe buying companies should disclose, which we propose as input for current discussions about the scope of supply chain disclosure. Section 4 gives a brief overview of the state of play with regard to governmental action in the European Union and, briefly, in the United States. The paper closes with conclusions and recommendations (Section 5).

We accessed all websites cited in the paper between November 2021 and July 2022.



Women workers walking to the factory near Palar River, Ambur. © Cividep

# 1 Context

Millions of people around the world work to produce leather garments, footwear, and accessories (belts, gloves, bags, and so on). Production often takes place in low- and middle-income countries. China is the leading producer country, but India, Bangladesh, and Pakistan are, to varying degrees, also important producers of leather and leatherwear.

The global leather garment and footwear industry is notoriously associated with human rights and labour rights violations as well as environmental damage in the different production stages.<sup>1</sup> Workers often toil for long hours and low wages in deplorable conditions.<sup>2</sup> Union busting, gender and caste discrimination, and child labour occur regularly.<sup>3</sup> Workers struggle with health issues because they work with toxic substances and unsafe heavy machinery, often without adequate protective equipment.

The already precarious situation of workers in the leather and leather goods industries has worsened since the outbreak of the Covid-19 pandemic, during which the production of leather and leather goods came abruptly to a near-complete halt. International transport, including container shipping, was severely interrupted. Supply chains were disrupted due to a lack of inputs and later to brands and retailers' cancellation of orders. Over the past two years, during successive lockdowns, garment factories and other workplaces closed unexpectedly, taking workers by surprise. Buyers cancelled orders for huge volumes, and consequently production declined. As a result, producers needed a smaller labour force, which led to dismissals. In firing workers, employers often chose to get rid of union leaders and members or otherwise vocal workers. Other groups that were disproportionately affected by labour force downscaling included older women workers.<sup>4</sup>

## **Opaque supply chains**

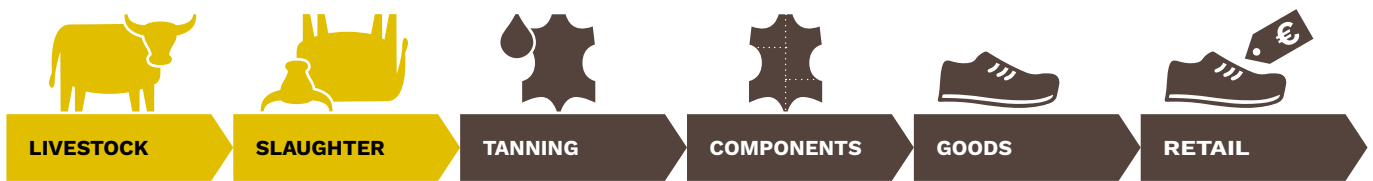
Along the journey from the slaughterhouses where animals are butchered to the store shelves and online shops that display and sell branded leather garments, shoes, and accessories, animal hides undergo various treatments to become workable leather. These processes may take place in different countries. For instance, leather produced in Bangladesh, India, or Pakistan is not only used to produce leather goods in these countries but is also exported to China and Italy, leading countries in the production of leather garments, shoes, and bags. Retailers subsequently sell these products internationally, labelled “Made in China” or “Made in Italy”. There is rarely any mention of the origins of the hides and leathers.

Many different actors are involved in the various treatment processes of leather and the production leather goods: from farmers to slaughterhouses to leather tanners; from finishers to traders; from producers of leather components to manufacturers of leather goods; and from buying agents to brands and retailers. Production units vary greatly in size and include home-based units and small workshops, as well as large, vertically integrated manufacturers. Fashion conglomerates, brands, and retailers buy the end-products and sell them over the world in bricks-and-mortar stores and increasingly online.

The leatherwear supply chain is also complex when it comes to employment relationships. Tanneries and leather goods factories may hire workers directly, but they often recruit and contract workers through labour suppliers that operate independently from each workplace. The leather industry also has a high level of informal labour and homeworking.

In this global industry, producers, brands, wholesalers, and retailers source, process, and manufacture inputs, semi-finished products, and end-products in different countries. Due to the intrinsic opaqueness of the supply chain, there is little public information about the origin of hides and leathers in the various stages of processing. Details about labour and living conditions of the workers involved are even harder to find. Workers in tanneries, factories, or home-based workplaces in countries like Bangladesh, India, and Pakistan have little clue about the end-products they contribute to or the markets these products are destined for. Conversely, most people in Europe, the US, and other consumer markets who buy leather jackets and other clothes, shoes, and accessories have little idea where and under what conditions these products are made.

**Figure 1 Production phases of the leather goods supply chain**



### **Addressing the unequal power balance**

The leather-based garments, footwear, and accessories sector includes some of the world’s largest and most profitable companies,<sup>5</sup> led and/or founded by some of the wealthiest owners.<sup>6</sup> Generally speaking, power relations between buyers and suppliers work in favour of international buying companies such as LVMH, Kering, and Nike.<sup>7</sup>

Through their purchasing practices, top-of-the-chain actors exert power over their suppliers, which impacts on working and employment conditions. Research by the International Labour Organization (ILO) shows that business practices between buyers and suppliers – such as contract clauses, technical specifications, order placement procedures, price setting, and requests for social standards – can influence wages, working hours, working conditions including occupational health and safety risks, and the use of temporary workers.<sup>8</sup>

Contract terms (including prices and lead times) and lack of proper forecasting (including late order changes, and sharp unexpected increases and decreases in order volumes) all influence the ability of suppliers to respect labour rights. Based on supplier ratings of their customers’ purchasing practices, Better Buying (a research, ratings and training organisation) identifies four categories of negative impacts of poor purchasing practices:<sup>9</sup>

- Failure to pay wages and benefits required by law and buyers’ codes of conduct.
- Use of excessive overtime, including forced overtime.
- Unauthorised subcontracting to unsafe facilities with poor working conditions.
- Increased use of temporary labour, making employment more precarious.

The OECD’s **Due Diligence Guidance for Responsible Supply Chains in the Garment & Footwear Sector** identifies buying companies’ own commercial practices as the driver of some risks and adverse impacts in supply chains.<sup>10</sup> Flexible supply chains – set up to source through complex webs of dozens of intermediaries – are a structural problem and the root cause of impacts such as low wages, child labour, and structural overtime.

The current normative framework expects companies to identify and proactively address the structural and root causes of negative human and labour rights impacts. For example, the Asia Floor Wage Alliance and Focus on the Global South in a recent opinion blog argue that we should consider brands as joint employers of the workers in supplier facilities, because of their role in setting the terms and conditions of employment and the volume and intensity of production.<sup>11</sup> Following from this, buying companies should assess how their purchasing practices contribute to risks and violations they identify along their supply chain.

Buying companies should publish the results of these assessments. Buyers should also disclose their general policies with regard to their commercial practices, standard contracts they use, and their contractual terms regarding payment terms, penalties, and so on. Buyers should also make public their general costing methodologies.

The above information disclosures may not be necessary at the level of individual supplier facilities, but they are needed for buying companies' overall supplier base (see Box 1).

### **Box 1 Interesting examples of corporate practices**

#### **Assessing impact of purchasing practices**

In 2018, Swiss outdoor equipment company Vaude conducted a root cause analysis to find out why excessive overtime kept on occurring at its suppliers in China and Myanmar. Vaude made particular efforts to understand whether its purchasing practices contributed to excessive working hours, and it subsequently adjusted its purchasing model to cease, prevent, and mitigate adverse impacts on working hours.<sup>12</sup>

#### **Disclosure of purchasing practices policy**

Italian fashion brand OVS has developed and published online “General conditions of supply” that include information on delivery terms and penalties, and a “Purchasing Practice Policy” that includes information on forecasting procedures, order placement, and costing.<sup>13</sup> OVS's purchasing practices are not yet necessarily in line with the best possible standards of fair purchasing, but the company's level of openness is commendable in an industry characterised by secrecy on such topics.



## 2 Importance of supply chain transparency

Supply chain transparency is not a goal in itself but a means to enable different actors – workers, trade unions, civil society, companies, investors, and so on – to drive greater respect for workers’ rights and responsible business practices.

Supply chain transparency is essential to enable rights holders and the organisations supporting them to address human rights and labour rights risks and violations and to improve working conditions. Where human rights or labour rights violations occur, workers, trade unions, and workers’ support organisations need to know which corporate actors have responsibility to address and/or remediate the issues. In other words, transparency enables due diligence and accountability.

When workers know which buying companies source from their workplaces, they can contact representatives of those companies to ask them to use their leverage over the supplier to prevent or address labour malpractice. Concrete and up-to-date supply chain information can show which companies have a responsibility to provide remedy or compensation for labour abuses to workers, their families, or communities. Workers may decide to make use of judicial and non-judicial mechanisms to hold companies to account for harmful impacts.

A coalition of nine human rights and labour rights organisations initiated the Transparency Pledge in 2016.<sup>14</sup> The Pledge aims to set a “minimum standard for supply chain disclosure in the garment and footwear industry” and describes transparency as “an opportunity to intervene” and to stop and rectify abuses and rights violations.<sup>15</sup>

Supply chain transparency also facilitates cooperation between companies sourcing from the same facilities. International brands and retailers have structured their supply chains so that they work with a multitude of suppliers and subcontractors. Labour rights issues are often complex and widespread and require a concerted approach. To effectively address such issues, brands and retailers need to collaborate, which is possible only if companies know the other buyers they share suppliers with.

### **Normative basis**

As laid down in the UN Guiding Principles on Business and Human Rights (UNGPs), companies have a clear responsibility to know their supply chain, to identify human rights risks and impacts along the supply chain, and to address such risks and impacts.<sup>16</sup> According to the UNGPs, business enterprises should act with due diligence in their operations, including in the value chain and through other business relationships, to avoid infringing on the rights of individuals or groups. Due diligence is an active and ongoing process.

Companies should account for how they address and manage their actual and potential adverse impacts, regardless of the way they may be associated with the harm or where the harm occurs.<sup>17</sup> According to the **UNGPs**, due diligence requires that “business enterprises have in place policies and processes through which they can both know and show that they respect human rights in practice. Showing involves communication, providing a measure of transparency and accountability to individuals or groups who may be impacted and to other relevant stakeholders”, especially in high-risk sectors (see Box 2).

## **Box 2 UN Guiding Principles on Business and Human Rights, Principle 21<sup>18</sup>**

“In order to account for how they address their human rights impacts, business enterprises should be prepared to communicate this externally, particularly when concerns are raised by or on behalf of affected stakeholders. Business enterprises whose operations or operating contexts pose risks of severe human rights impacts should report formally on how they address them. In all instances, communications should:

- Be of a form and frequency that reflect an enterprise’s human rights impacts and that are accessible to its intended audiences;
- Provide information that is sufficient to evaluate the adequacy of an enterprise’s response to the particular human rights impact involved;
- In turn not pose risks to affected stakeholders, personnel or to legitimate requirements of commercial confidentiality.”

The **OECD Guidelines for Multinational Enterprises** are recommendations to multinational companies that operate in a global context.<sup>19</sup> The 2011 revision of these **Guidelines** incorporated the due diligence concept as introduced in the UNGPs. The OECD has developed **Due Diligence Guidance for Responsible Business Conduct** and guidance on specific topics and sectors, including **Due Diligence Guidance for Responsible Supply Chains in the Garment & Footwear Sector**.<sup>20</sup> In line with the UNGPs, the OECD’s Due Diligence Guidance for Responsible Business Conduct stipulates that communicating information about due diligence is part of the due diligence process itself, and companies should “communicate externally relevant information on due diligence policies, processes, activities conducted to identify and address actual or potential adverse impacts, including the findings and outcomes of those activities”.

### **The right to know**

Workers have a right to information about their workplace. This right to know derives from international human rights instruments, both hard law (binding legal obligations) and soft law (non-binding codes, standards, norms, and principles). The right to information is a right in itself, as well as an enabling right that facilitates workers in organising and standing up for their labour rights. Workers and their families and communities (rights holders), as well as trade unions and workers’ support organisations, are entitled to a wide range of information related to recruitment, employment, and working conditions, including health and safety issues (see Box 3).

Workers should also have access to background information about their employer, the corporate structure their workplace is part of, and the international supply chain they function in. This includes information about the buyers of branded end-products.

### **Box 3 Rights holders and the right to know**

#### **Rights holders**

Rights holders in the leather-based products supply chain are:

- Workers – all the men, women, and children who work in slaughterhouses, tanneries, small workplaces, or large factories, as well as the homeworkers who sew shoe uppers and the day labourers who move from workplace to workplace.
- Workers' families
- Workers' communities – communities in home villages of migrant workers, communities in urban neighbourhoods where workers live, and communities in areas where production facilities are located.

#### **The right to know**

International instruments and most national constitutions and regulations provide for the right to information, which they relate to the right to freedom of expression, the right to participate in public affairs, and the right to just and favourable working conditions, among other interrelated rights.

Workers and other rights holders' "freedom to seek, receive and impart information and ideas of all kinds" is grounded in:

- Article 19 of the Universal Declaration of Human Rights (UDHR): the right to freedom of opinion and expression.
- Article 23 of the UDHR: the right to just and favourable conditions of work.
- Article 19 of the International Covenant on Civil and Political Rights (ICCPR): the right to freedom of expression.
- Article 25 of the ICCPR: the right to take part in public affairs.
- Article 7 of the International Covenant on Economic Social and Cultural Rights (ICESCR): the right to safe and healthy working conditions.
- Article 12 of the ICESCR and CESCR General Comment No. 14: the right to the highest attainable standard of health (Art. 12).<sup>23</sup>

In practice, however, workers seldom have access to this type of information. Workers may have basic information about their employer, but even this is often not the case. Workers without an employment contract, day labourers, and homeworkers are generally not aware of who they are working for, let alone where the materials or products they make end up. Trade unions do of course play an important role in industrial relations, but most workers in the leather-based garment, footwear, and accessories industry are not organised in a union. The few organisations that stand up for the rights of these workers – some trade unions and labour rights NGOs – also lack insight into the intricacies of the complex global supply chains. Workers are therefore in a very disadvantaged position when it comes to holding accountable those companies that have the responsibility and power to address labour rights and human rights violations in their workplaces.<sup>22</sup>



Worker in tannery, Pakistan. © Asim Rafiqi | NOOR Images

### 3 What supply chain information should buying companies disclose?

This discussion paper makes the case for increased supply chain disclosure. We aim to catalyse further discussion of transparency by making ambitious recommendations for categories and elements that buyers should include as part of their supplier disclosures. For this paper we found inspiration in the publications and views of a number of organisations – including the GoodElectronics Network, SOMO, and the Business, Human Rights and the Environment Research Group (BHRE) of Greenwich University in the UK;<sup>23</sup> Clean Clothes Campaign (CCC);<sup>24</sup> and the UN Economic Commission for Europe (UNECE)<sup>25</sup> – complemented by further ideas developed by SOMO.

As we noted above, the Transparency Pledge sets a “minimum standard for supply chain disclosure in the garment and footwear industry”.<sup>26</sup> Here we make recommendations for how to go beyond that bare minimum, by introducing categories and elements that we believe buyers should include in their supply chain disclosures.

As part of this discussion and process, we call on buying companies to progressively work towards further meaningful disclosure.

#### **Disclosure should cover the full supply chain**

To begin with, disclosure should cover the full supply chain, including all supplier facilities at all tiers beyond suppliers of end-products and embracing all processing and all inputs of raw and semi-processed materials.

When it comes to first-tier suppliers, Fashion Revolution calls on buying companies to include at least 95 per cent of their full supplier base in their public disclosures.<sup>27</sup> Companies that do not attain this percentage should give the actual percentage their disclosures cover and indicate how and when they will increase the percentage. Disclosures should also cover all facilities producing for the buying company, whether through direct or indirect contracting. This means that companies should also include in their supply chain disclosures subcontractors their suppliers use (see Box 4).

#### **Box 4 Current supply chain disclosure beyond first tier**

Brands and retailers rarely disclose information about knitting, spinning, and weaving mills or about dyeing facilities, tanneries, and embroidery and printing units in their supply chains. According to Fashion Revolution’s 2022 Transparency Index, only 32 per cent of the 250 reviewed companies disclose processing facilities that are part of their supply chain (up from 27 per cent in the 2021 Index). Even fewer companies disclose the origin of the raw materials their products use, such as cotton or leather, with the Fashion Revolution reporting that a mere 12 per cent of reviewed companies disclose information about their raw materials suppliers (up from 11 per cent in 2021).<sup>29</sup> And only 5 per cent of companies specify the percentage of their raw material suppliers their disclosures cover.

## **Disclosure categories and elements within each category**

For the purposes of current discussions about supply chain disclosure, we have identified six disclosure categories:

- 1 Name, location, and parent company of each supplier facility.
- 2 Workforce at each supplier facility.
- 3 Wages at each supplier facility.
- 4 Workers' freedom of association, collective bargaining, and access to grievance mechanisms at each supplier facility.
- 5 Facility-level human rights due diligence.
- 6 Social compliance auditing procedures and certifications obtained per facility.

We now consider each of these six disclosure categories in more detail, including the elements they comprise.

### **Category 1**

#### Supplier facility identity, location, and parent company

Supply chain disclosure should eventually cover the full supply chain, including all tiers, processes, and links beyond suppliers of end-products. The extended supply chain of leather-based products includes slaughterhouses, tanneries, suppliers of inputs and materials (such as chemicals and raw and semi-finished hides), suppliers of semi-finished and end-products, formal subcontractors, and informally subcontracted workplaces and homeworkers.<sup>29</sup>

#### **Category 1 elements**

- Name of the facility, in the original language and writing (alphabet), and in English.
- If applicable, any alternative facility names, in the original language and writing (alphabet) and in English.
- Full address of the building or compound where the facility is located, and Global Positioning System (GPS) coordinates of the location.
- If applicable, the floor number or the unit where the facility is located.
- Any available identifier for the facility, such as Open Apparel Registry (OAR) ID (see Box 5), Identifiant Commun de l'Entreprise (ICE) number, or commercial registry number.<sup>30</sup>
- The presence of any workers' dormitories in the building or compound.
- Facility type and/or processes taking place at the facility, as in the OAR's categorisation ("Raw Material Processing or Production; Textile or Material Production; Printing, Product Dyeing and Laundering; Final Product Assembly; Warehousing/Distribution; Office/HQ").<sup>31</sup>
- The specific products the buying company sourced at the facility in a given period.
- The percentage of the buying company's total sourced volume from all its suppliers globally sourced from the facility.
- If applicable, information on the parent company of the facility: full name and alternative names if applicable in the original language and writing (alphabet) and in English.
- The country where the parent company is headquartered and/or incorporated.

### **Why is this important?**

For stakeholders to know the exact identity and location of a supplier facility, it is important for buying companies to provide the full name(s), precise address, additional location details, and a unique identifier. It is common for more than one company to register at the same address, and different facilities may have similar names. Or a particular facility or company may have several aliases; for example, a Chinese company may have a name in Mandarin and may also be known by the English translation of this name.

Workers who both work and live in a production compound may be vulnerable to forced labour risks or other labour rights violations such as forced and excessive overtime or harassment. Hence the presence of on-site dormitories should be part of the disclosure.

#### **Box 5 The Open Apparel Registry (OAR)**

The Open Apparel Registry, launched in 2019, is an open source map and database of global apparel facilities.<sup>33</sup> By collating disparate supplier lists into one central database, it enables stakeholders to identify apparel facilities and their customers. The OAR uses an algorithm that recognises similar entries, carries out checks, and assigns a unique ID number to each facility.<sup>34</sup>

- Clothing brands and retailers, multistakeholder initiatives (MSIs), and other industry stakeholders, including civil society organisations, can upload supplier information to the site. Alongside buying companies submitting their own supplier lists, the OAR team has uploaded many publicly available supplier lists to the database.<sup>35</sup>
- More than 90,000 facilities are currently included in the database, and more than 490 contributors have uploaded data.<sup>36</sup>
- Brands and retailers, one of the contributor types, vouch for more than 40,000 facilities; other contributors added about 30,000 facilities.

In March 2022, the OAR added a number of fields to the database: Parent Company, Facility Type, Processing Type (distinguishing tens of processes), Product Type, and Number of Workers.

## **Category 2**

### Supplier facility workforce

#### **Category 2 elements**

- Size of the workforce at the facility in number of workers.
- Composition of the workforce at the facility, disaggregated by employment category: permanent workers, temporary workers, contract workers, daily labourers.
- Age categories of workers at the facility.
- Percentage of migrant workers (foreign and domestic) among the workforce.
- Whether the facility uses homeworkers.
- Workforce information should preferably be disaggregated by gender (see Box 6).

### **Box 6 Fashion Revolution's analysis of workforce disclosures**

Fashion Revolution looked at 250 garment and footwear companies' supply chain disclosure practices and reported in 2022 that 25 per cent of these companies included gender disaggregation of workers in their disclosures (up from 21 per cent in the 2021 Index) and only 11 per cent disclosed the number of migrant or contract workers at each site (up from 7 per cent in 2021).<sup>37</sup>

#### **Why is this important?**

The Transparency Pledge coalition makes a strong argument for disclosure of workforce information:

“A rough indication of worker numbers reveals the size of the operation. This is useful to gauge the potential risks to workers where there are fire and building safety concerns; concerns regarding freedom of association in countries where the laws set a high threshold for the number of workers needed to form a factory-level union; and workers' compensation in case of sudden factory closures.<sup>37</sup>”

Knowing the characteristics of the workforce in terms of gender, migratory background, and employment relationships allows for the development of corporate policies based on workers' realities and needs. The presence of migrant workers among the workforce, for instance, requires heightened due diligence procedures as they may be vulnerable to exploitation (for example, debt bondage or forced labour). Disaggregated data enables cross-cutting and intersectional analysis.

Buying companies should collect and disclose workforce information in the first place for each facility where they source; but where there are more facilities under the same parent company at the same location, companies should also collect and disclose such details for all these facilities. Why? One reason is that workers may move between facilities to accommodate peak and low production. Also, in the unfortunate event that child labour is used, or that other labour rights abuses occur in a facility of the same owner adjacent to the facility the buying company sources from, the buyer should know and act.

Disclosure of workforce data provides rights holders – workers, their families, and their communities – and organisations that represent or advocate for them with an adequate level of information to conduct informed discussion with employers and buying companies.

#### **Category 3**

Wages and working hours

##### **Category 3 elements<sup>38</sup>**

- The weekly take-home wage for entry-level workers based on a standard working week of no more than 48 hours, excluding overtime, benefits, and bonuses.<sup>39</sup>
- Overtime rate paid at the facility.
- If applicable, the buying company's living wage benchmark used to establish living wage levels in a given country, region, or city.
- A comparison between local living wage levels and wages actually paid to workers at the facility.



### **Why is this important?**

The right to a living wage, sufficient to afford a decent standard of living for a worker and her or his family, is a key enabling right. Without the enjoyment of this fundamental human right, workers stand powerless vis-à-vis their employers. While brands and retailers acknowledge that low wages are a problem in the global garment industry, and generally identify wages as a priority issue, in practice most companies fail to provide any information on actual wages their supplier facilities pay or on the gap with a living wage.

Access to information on wages paid at the facility level will enable rights holders and organisations that represent or advocate for them, such as trade unions and labour rights organisations, to assess whether wages are fair and enough to live on.<sup>40</sup>

### **Category 4**

Freedom of association, collective bargaining, and non-judicial grievance handling

#### **Category 4 elements**

- Is a democratically elected independent trade union (or are several unions) present at the facility? If so, provide name(s) of union(s).
- Is the facility covered by an active collective bargaining agreement (CBA)?
- Are the legally required factory-level committees in place and functioning?
- Is the facility covered by a global or international framework agreement (GFA or IFA)?<sup>41</sup> If so, provide details of the agreement.
- Is the facility covered by an enforceable brand agreement? If so, provide the name.
- Does the facility offer workers a mechanism for grievances and complaints handling? If so, provide details (complaints box, hotline, and so on).
- Does the facility take up and resolve complaints? Provide details.

### **Why is this important?**

The right to form and join trade unions of one's choosing and the right to bargain collectively are key enabling rights. Information on the presence of democratically elected independent trade unions may assist other brands and retailers in their pre-sourcing due diligence. This information may also assist buying companies in knowing which rights holders and stakeholders to engage with about wages and other employment- and work floor-related issues.

Operational-level grievance mechanisms are channels through which workers can file complaints and seek remedy in case of adverse impacts.

“Yellow” or “pocket” unions – unions set up and dominated by employers – are common in the leather-based garment, footwear, and accessories industry. Hence information related to the presence of one or more trade unions at the facility level should not consist of a mere “yes” or “no”. (See Box 7.)

### **Box 7 Interesting practices on freedom of association and collective bargaining**

When it comes to freedom of association, collective bargaining and grievance handling, a small number of companies now include in their disclosures whether trade unions or worker committees are present at their supplier facilities. Fashion Revolution's 2022 Index mentions that 11 per cent of the 250 surveyed brands and retailers report whether or not a trade union is present at the facility (up from 7 per cent in the 2021 Index).<sup>42</sup>

In addition to trade union presence at facility level, the Italian company OVS also discloses the percentage of employees engaged in collective bargaining at each facility.<sup>43</sup>

## **Category 5**

Risk mapping and due diligence at facility level

### **Category 5 elements**

- What does the buying company see as significant labour rights, human rights, or environmental risks at the facility level?
- What risks have been prioritised at facility level?
- Mitigation and/or remediation measures taken at facility level.

### **Why is this important?**

To effectively prevent, address, and remediate adverse impacts, companies need to undertake adequate risk mapping tailored to their supply chains as well as to communicate about the results. Disclosure of identified risks and mitigation and remediation measures may also inform the due diligence procedures of other companies sourcing from the same facility or considering doing so.

## **Category 6**

Sustainability certification and social audits<sup>44</sup>

### **Category 6 elements**

- Type of sustainability certification or social audit (such as Leather Working Group or SA8000).<sup>45</sup>
- Name of the agency or body that issued the certification or audit report (such as amfori, Control Union, SGS, or Bureau Veritas).<sup>46</sup>
- Name of the party that commissioned the certification or audit.
- Issue date, expiry date, and/or duration of the certification or audit.
- Non-compliance/compliance with standards and any corrective actions taken.
- Additional data (such as a copy of the certificate or inspection report).

### Why is this important?

Despite the well-established body of evidence on the shortcomings of social compliance auditing,<sup>47</sup> many companies in the garment and footwear sector still rely on such audits when it comes to detecting human rights and labour rights risks in their supply chains. But these companies generally fail to provide information on the audits carried out at their suppliers, the identity of the auditors, frequency of audit, and the audit results. It is critical that workers have access to audit reports about their workplaces. Disclosure of audit data also helps inform the due diligence procedures of other companies sourcing, or considering sourcing, from the same facility. (See Box 8.)

#### **Box 8 Current sustainability certification and social audit disclosure practices**

Fashion Revolution's 2022 Transparency Index shows that 10 per cent of companies give information about what certifications its first-tier suppliers hold (up from only 5 per cent in the 2021 Index) When it comes to processing facilities (second tier), only 6 per cent of surveyed companies provide this information (up from just 2 per cent in the 2021 Index).<sup>48</sup>

We know of two companies that provide some information, although limited, about audits carried out at their suppliers and the results of these audits:

In the first case, **German outdoor company Jack Wolfskin** provides for each facility the date of the most recent audit, the result classification (gold, silver, bronze), and audit scores (ranging from 1 to 10) on nine topics. These topics are: environment; health, safety, working conditions, and social facilities; discrimination; freedom of association and collective bargaining; forced labour; child labour; compensation; working time; and management practice. However, the scores on the nine topics are not available for all supplier facilities. And while it is interesting that the company publishes information about the results of these supply chain audits, the information also raises many questions. For instance, how are scores assigned, what do they mean, and which issues are covered by a broad topic such as "environment"?<sup>49</sup>

The second company, **Schijvens, a Dutch workwear company**, publishes a table of information about the types of audit carried out at its suppliers, the auditing companies involved, and a brief summary of risks identified at the facility. This information, however, is not included in the company's supplier list but appears in its annual sustainability report.<sup>50</sup>

### Presentation and accessibility of data

Companies' disclosed supply chain data should meet the following requirements:

- The information should be presented in a language that rights holders who are directly involved (principally workers, their families, and their communities) can understand.
- The information should be available free of charge.
- Supply chain data should be regularly updated, at least twice a year.
- Changes in data should be explained. For example, if a company removes one or more suppliers from its updated supplier list, it should provide an explanation.

- Previous versions of disclosed data should remain publicly accessible (for example, in a public archive).
- Companies should publish their supply chain data in a spreadsheet or machine-readable format. In line with recommendations of the Transparency Pledge coalition, downloadable files should be in Excel, JSON, or CSV format.<sup>51</sup>
- Companies should upload their supply chain data to the Open Apparel Registry.<sup>52</sup>
- Supply chain data should also meet open data principles, which the Open Knowledge Foundation defines as “data that can be freely used, re-used and redistributed by anyone – subject only, at most, to the requirement to attribute and share-alike”.<sup>53</sup>



Young worker at an informal working place, Pakistan. © Insiya Syed

## 4 Governments: European Union and EU member states

In recent years, an increasing number of garment and footwear companies have disclosed supplier lists. However, most companies do not provide any transparency about their supply chain. Governments could level the playing field by introducing legislation that requires companies to disclose supply chain information. Currently, no member states within the European Union do so.

There is also another way governments could play a role in creating more transparency about international supply chains. Customs authorities in EU member states collect data on the export and import of goods passing through state borders. At present, this data is not made publicly available, neither at EU level nor in any EU member states, and EU law may limit public access to data held by national customs authorities.<sup>54</sup>

Internationally, EU member states perform surprisingly poorly in this area. Other large jurisdictions and markets, such as the US, provide a greater degree of transparency on trade data (see Box 9).

### **Box 9 US customs data transparency<sup>55</sup>**

US Customs and Border Protection (CBP) is the federal authority collecting data on international trade.<sup>56</sup> Within the CBP, the US Office of Trade (OT) provides import data to the public, authorised company officers, and their legal representatives through two mechanisms:

#### **Freedom of information (FOI) requests**

When required by an FOI request, the OT discloses company-specific import data. The requester has to pay a processing fee.

#### **Purchasing cargo declarations data**

The OT's second disclosure mechanism concerns information on Form 1302, the inward cargo declarations that the CBP's automated manifest system collects when imports arrive in the US. CD-ROMS are available for specific days or on a subscription basis.<sup>57</sup>

However, the latter information can be treated as confidential and not disclosed when “the Secretary of Treasury makes an affirmative finding on a shipment-by-shipment basis that disclosure... is likely to pose a threat of personal injury or property damage”.<sup>58</sup> And some data fields, including name and address of shipper, of consignee, and of notify parties, will be deleted from the CD-ROM where the consignee or importer has requested confidentiality.<sup>59</sup>

## 5 Conclusions and recommendations

### Conclusions

The leather-based garment, footwear, and accessories supply chain is highly complex, involving a great variety of producers, buyers, and intermediaries. This industry has a high level of outsourcing and subcontracting, including large numbers of informal homeworkers. This makes it very difficult to establish links between workplaces at various stages of the supply chain and the companies that sell end-products such as leather jackets, shoes, and bags.

Poverty pay, hazardous working conditions, and union busting are rife in the industry. Actors along the supply chain – workers, trade unions, NGOs, companies, investors, and so on – therefore urgently need access to supply chain information through greater transparency to push for improvements in workers' rights and to obtain redress for rights violations.

When rights violations occur, workers, trade unions, and workers' support organisations need to know which corporate actors have responsibility to address the issues. And enhanced supply chain transparency is also beneficial to companies. The availability of concrete information on unionisation, wage levels, and labour rights risks at production facilities supports companies in their pre-sourcing due diligence. Information on buyer–supplier relations also facilitates cooperation between brands and retailers that source from the same production facilities.

There is an urgent need for greater transparency in supply chains. In this paper, we have set out what the next level of supply chain transparency might look like. A key starting point is that disclosure should cover the full supply chain. This includes all supplier facilities at all tiers involved in processing and/or the input of raw and semi-processed materials. Buyer companies should provide more information about each supplier facility, for which we have identified six categories: (1) facility name, location, and parent company; (2) workforce information; (3) wages; (4) freedom of association, collective bargaining, and access to grievance mechanisms; (5) facility-level human rights due diligence; and (6) social compliance auditing procedures and certifications.

### Caveats

Collecting, organising, interpreting, and disclosing supply chain data is far from easy. It puts a burden on buying companies.

This burden will also partly fall on suppliers because they will need to provide the data. Buyers should ensure that they find ways to compensate their suppliers for the costs associated with gathering and providing such data.

The accuracy and reliability of such data, provided by suppliers and disclosed by buyers, may pose a problem. It may be in the interest of suppliers to tamper with the data buyers ask them to share. It may be in the interest of brands not to disclose all the data they have.

Once buying companies have published such a body of data, this then puts a burden on labour rights organisations. Checking the accuracy and quality of such data can become a huge task.

Nevertheless, information is power. Without information, labour rights organisations have no way to support workers in their struggle for labour rights.

We call on brands, retailers, and fashion conglomerates to work towards comprehensive supply chain transparency and we urge responsible business initiatives to implement stronger disclosure requirements for their corporate affiliates. To push laggard companies towards greater transparency and to level the playing field, governments need to make supply chain transparency mandatory.

We call on data specialists to design workable systems that serve the purpose of disclosure for different potential users.

## Recommendations

### **To international buying companies – brands, retailers, online retailers, and fashion conglomerates**

- Trace and map all links of the extended supply chains of your products beyond suppliers of end-products. The extended supply chain of leather-based products includes slaughterhouses, tanneries, suppliers of inputs and materials (such as chemicals, raw hides, and semi-finished hides), suppliers of semi-finished and end-products, formal subcontractors, and informally subcontracted workplaces and homeworkers.
- Publish comprehensive, disaggregated, and detailed supply chain data, covering the data categories and elements presented in Section 3 of this paper. Publicly set concrete and timebound milestones towards such full disclosure and publicly account for your progress.
- Engage proactively and meaningfully, preferably directly, with all mapped suppliers along your extended supply chain.
- Facilitate your end-product suppliers' disclosure about their further-tier suppliers, both formal and informal, by refraining from imposing non-disclosure clauses in contracts.
- Engage in a constructive and open manner with other customers of shared suppliers.
- Join credible responsible business initiatives, preferably enforceable brand agreements, that set high standards for supply chain disclosure.
- Support the development and standardisation of enhanced supply chain disclosure.
- Engage proactively and meaningfully with local and international civil society stakeholders. Throughout the process of supply chain disclosure – from designing policies and processes through to implementation and accounting for implementation – enable civil society to play an active part. Local and international labour groups are particularly important sources of information on supplier-level employment and labour conditions and on informal supply chain links.

### **To responsible business initiatives, multistakeholder initiatives, and certification schemes**

- Require member companies and corporate affiliates to trace and map all links of their extended supply chains beyond end-product suppliers and to publicly disclose disaggregated and detailed supply chain data, covering the categories and elements presented in Section 3 of this paper.
- Publicly disclose the full supply chain data of your member companies and corporate affiliates. This could be a phased process, with publication of aggregated supplier data as an intermediate step, and/or implementing in phases the disclosure of first- and further-tier supplier information, with the end result of comprehensive disaggregated disclosure.

### **To governments of countries where global garment, footwear, and accessories companies are headquartered, including the European Union<sup>60</sup>**

- Develop, adopt, and implement robust national, European Union, and/or other regional- and international-level legislation requiring comprehensive corporate supply chain disclosure in line with Section 3 of this paper. Such legislation could be part of overarching mandatory human rights due diligence laws or stand-alone legislation.
- Public-sector buyers procuring leather-based garment and footwear (that is, leather workwear) should require contracted companies to provide enhanced public transparency on the extended supply chain, in line with proposals in Section 3. This requirement should be part of the award criteria and/or of contract conditions.
- In the European Union, actively support efforts towards amending current customs regulations to allow public disclosure of imports, including names and addresses of exporting and importing companies. Amend the EU Union Customs Code (UCC) and the EU Customs Code Delegated Act, which supplements the UCC, to accomplish the collection of additional information regarding the origins of goods imported into the EU and the public disclosure of such additional information.<sup>61</sup>

### **To governments of countries where inputs, materials, semi-finished products, and/or leather-based end-products are produced<sup>62</sup>**

- Create a regulatory and policy environment that enables and encourages corporate actors along the extended supply chain of leather-based products, such as slaughterhouses, tanneries, suppliers of inputs and materials (including chemicals, raw hides, and semi-finished hides), and suppliers of semi-finished and end-products, to publish comprehensive supply chain transparency data in line with international business and human rights standards and covering the categories and elements presented in Section 3 of this paper.
- Publish data on the import and export of inputs, materials, and semi-finished products used for the manufacture of leather-based end-products as well as data on the import and export of such end-products.



## Notes

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- 59 US Code of Federal Regulations, <https://www.ecfr.gov/current/title-19/chapter-I/part-103/subpart-C/section-103.31>.
- 60 Although this paper focuses on the leather-based garment, footwear, and accessories industry, the proposed regulations and policies should apply to all garment, footwear, and accessories companies sourcing internationally (whether leather or non-leather) and also to companies active in other industries.
- 61 Regulation (EU) No. 952/2013 of the European Parliament and of the Council of 9 October 2013 laying down the Union Customs Code (recast), <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32013R0952&from=EN>; Commission Delegated Regulation (EU) 2015/2446 of 28 July 2015 supplementing Regulation (EU) No. 952/2013 of the European Parliament and of the Council as regards detailed rules concerning certain provisions of the Union Customs Code, <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:02015R2446-20210315&from=EN>.
- 62 Although this paper focuses on the leather-based garment, footwear, and accessories industry, the proposed regulations and policies should apply to all garment, footwear, and accessories companies sourcing internationally (whether leather or non-leather) and also to companies active in other industries.